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NEWS SUMMARY

GENERAL

Khomeini warns Iran president

Ayatollah Khomeini of Iran warned dissident politicians he would remove them from power if they continued to challenge Islamic authorities.

His chief target appeared to be President Bani-Sadr. The president, whose own newspaper was banned, produced another one calling for demonstrations.

Sporadic shooting and street fights broke out in central Tehran as supporters of the president and religious extremists clashed. Page 4

Closed shop

The Labour-controlled Sandwell council in the West Midlands is to continue its closed-shop agreement despite moves by some staff to end it. Back Page

Ambulance strike

Ambulancemen will go on 24-hour strike on June 17 in protest at the Government's refusal to increase its 6 per cent offer. Page 11

Shot six times

An 18-year-old youth was wounded six times in an IRA punishment shoooting in Belfast's Andersonstown area. In the Maze prison, Tom McIlwee, 23, joined the hunger strike.

Shotgun murders

A burglar shot dead a retired naval officer and his wife at their home in Owing, near Chichester, at the weekend.

Death toll fear

The death toll in the weekend's train disaster in northern India might reach 3,000. The overcrowded train plunged into a river.

Sea rescue bid

A Royal Navy helicopter crew was trying to rescue two competitors in the Observer Transatlantic Race who were clinging to their capsized trimaran in a gale 300 miles from Land's End.

Saudi gift

Saudi Arabia gave £350,000 to the Royal College of Surgeons in Edinburgh. King Khalid begins his State visit to Britain today.

Holiday spree

Britons are expected to spend nearly £1.45bn on package holidays abroad this year, 21 per cent more than in 1980, says the CAA. Page 8

Gwynfor to stand

Gwynfor Evans, 68, veteran president of the Welsh national party Plaid Cymru, is to stand again for Carmarthen at the next general election. Page 10

Cup found

The Welsh FA cup, which disappeared after a raid on Swansea City's ground on Sunday night, was found under a stand with the lid missing.

Wedding plans

Clay Cross, the Derbyshire town famous for its council's rent rise rebellion under the Heath Government, plans to stage a Republican Day on the July 29 Royal Wedding.

Ecology drive

Special precautions will be taken to protect rare wild orchids at Royal St. George's Golf Club, Kent when the Open Golf Championship is played next month.

Briefly . . .

Yorkshire Ripper Peter Sutcliffe told lawyers to lodge an appeal against his murder convictions.

Miss Italy is favourite to win the Miss Europe contest in Birmingham tonight.

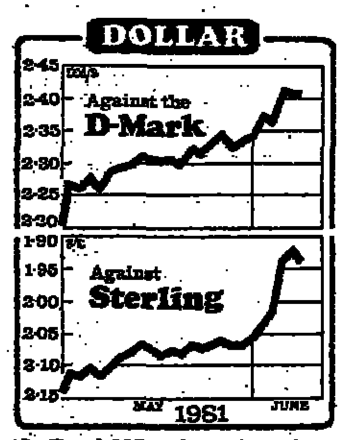
Cholera alert after a British Airways passenger died on a flight to London last week was a false alarm.

BUSINESS

£ rallies to $1.941; Gold up by $11

● **STERLING** recovered some lost ground in quiet trading, with most European centres closed. It rose 1.2c to $1.941. It also improved to MD 4.675 (DM 4.6475) and FFr 11.0125 (FFr 10.995). Its Bank of England index rose to 94.7 from 93.8. Page 41; Back Page

● **DOLLAR** generally eased. It was down at DM 2.4075 (DM 2.4095), FFr 5.675 (FFr 5.705) and SwFr 2.125 (SwFr 2.137), but firmed to Y228.1 (Y227.8). Its trade-weighted index was 109.6 (110.2). Page 41



● **GOLD** rose $11 to $472.5 in London, on Polish and Middle East tension. In New York the Comex June close was $462.5 Page 41

● **GILTS** were calmer as sterling picked up, with longs gaining up to ½. The Government Securities Index was 0.43 higher at 65.37. Page 40

● **EQUITIES** were listless. The FT 30-Share Index added 1.6 at 547.9. Page 40

● **WALL STREET** was up 2.41 at 996.2 before the close. Page 38

● **BRITISH RAIL** expects to lose £100m this year because of the recession, and plans to ask the Government for bridging aid. Back Page

● **STATE INDUSTRIES** would promise not to use government fuds given for investment programmes to pay big wage rises, Commons committee was told. Page 10

● **SHELL** and Mobil raised prices of most oil products, but not petrol, following Esso's lead. Page 8

● **COAL INDUSTRY** aid package is expected to be unveiled by the Government this month after four months of talks. Page 9

● **DEMAND** for consumer credit last month recovered from a sharp fall in April. New figures showed spending in shops in April was lower than had been thought. Page 8

● **SPANISH BANKS** consortium was putting together an offer to stop BNP of France buying Lopez Quesada bank. Barclays bought a Spanish bank in January. Page 33

● **AIRBUS INDUSTIE**, 20 per cent owned by British Aerospace, expects a letter of intent from Air France this week for up to 50 of its planned A-320 airliners.

● **ICL** reported pre-tax losses in the half year to March 31 of £33.9m, compared with a £20.5m profit, and omitted the interim dividend. Page 24; Back Page

● **METAL BOX** taxable profits for the year ended March 31 fell £33.7m to £29.1m. Final dividend was 6.51p (11.83p). Page 24; Lex, Back Page

● **ASSOCIATED BRITISH FOODS** boosted pre-tax profits for the second half to March 28 by £11.6m to £70.71m, raising 12-month results to £114.91m. Page 25; Lex, Back Page

● **THOS. W. WARD'S** £110m bid for rival cement maker Tunnel Holdings lapsed as Rio Tinto-Zinc continued to buy Tunnel shares. Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			FALLS		
Treas. 11¾pc 1989 A	£88⅝	+ ⅜	Treas. 11¼pc 1985 (£30 pd.)	£25	− ½
Avon Rubber	112	+ 7	Associated Leisure	119	− 5
Currys	456	+ 14	Dwek Group	7	− 4¼
Davenport Knitwear	168	+ 8	Farnell Elec.	480	− 15
Davies and Newman	137	+ 4	Greenbank Trust	168	− 10
Downing (G. H.)	212	+ 6	Horizon Travel	254	− 9
Finlay (James)	131	+ 7	Matthews (B.)	155	− 18
General Accident	326	+ 8	Morgan Crucible	120	− 8
GEC	687	+ 7	Pennine Commercl.	9¼	− 1¼
GRE	304	+ 6	Polymark	96	− 9
Metal Box	196	+ 6	Saga Holidays	333	− 12
Novo Inds. B	£110	+ 4½	Spring Grove	93	− 5
Phoenix Assurance	286	+ 16	F.S. Geduld	£17⅞	− 2⅜
Sun Alliance	866	+ 20	Hartebeest	£28	− 2⅞
Westland	152	+ 7	Pancontinental	410	− 15
Wettern Brothers	70	+ 12			
Tricentrol	224	+ 10			

Israel claims it destroyed Iraqi atomic reactor

BY DAVID LENNON IN TEL AVIV AND DAVID BUCHAN IN W ASHINGTON

THE IRAQI atomic reactor being built at Tammuz, near Baghdad, was destroyed by Israeli aircraft on Sunday, the Israeli Government announced in Jeruslame yesterday.

The raid is likely to raise the tensions between Israel and the Arab world, already accute because of the crisis over the Sirian missile emplacements in the Beqaa Valley of Lebanon.

Jerusalem said that Iraq was building the reactor "to produce atomic bombs" similar to those dropped on Hiroshima, and intended to use them against Israel.

The Iraqi Government confirmed that nine Israeli aircraft attacked the Baghdad area on Sunday, but denied that the reactor was destroyed.

The U.S. Government immediately condemned Israel's attack, and held open the possibility, albeit remote, of sanctions against Israel for using U.S. made aircraft in the raid.

The State Department said a report was being prepared for Congress on whether Israel had broken the standard condition on which she was sold the aircraft, that they be used only in "legitimate self-defence."

The attack, the most spectacular since the raids on Entebbe Airport in 1976, provoked widespread Arab condemnation, including a strongly-worded attack from President Anwar Sadat of Egypt.

The Israeli aircraft flew at least 500 miles and back to hit the target area, which is about 10 miles from the centre of Baghdad.

The atack comes less than three weeks before the Israeli General Election.

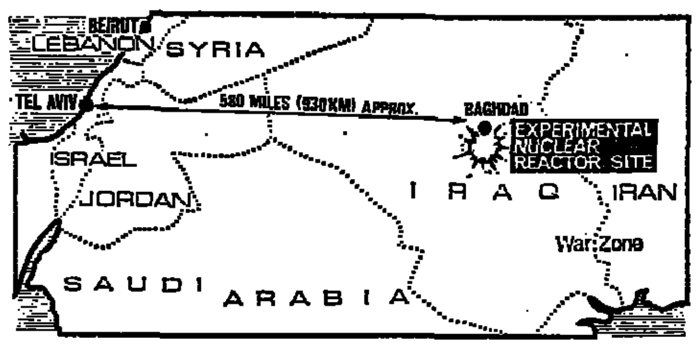
The prestige of Mr. Menahem Begin, the Israeli Prime Minister, is likely to be enhanced by the destruction of the plant near Baghdad, perhaps even ensuring that the ruling Likud bloc will be returned to power.

Mr. Begin's political fortunes, which reached a nadir this year, *have soared as a result of his handling of the crisis in the* Lebanon.

As with the Syrian presence in the Lebanon, there were struggles within the Israeli military and political establishments between those who advocated tough, direct action an dthose who advised caution because of the possible long-term negative consequences.

The possible negative impact on the peace agreement with Egypt does not cause them much concern, as many Israeli hawks strongly oppose withdrawal from Sinai. There are voices in Israel calling for a halt to the final stage of withdrawal, due in April next year.

News of the attack was cautiously welcomed by the Israeli Opposition Labour Party yesterday. In one of the



early reactions was there any note of concern about its possible impact on regional stability.

Israel has stressed the "pre-emptive" nature of the assault because sophisticated weapons supplied by the U.S., including the F-15 combat aircraft presumed to have taken part in the attack, are supposed to be used only in a defensive role.

The Israeli Government said, however, that the air strike had to be carried out at this time because the French-supplied reactor was due to become operational as soon, possibly, as the beginning of next month, and no later than early September.

Once the plant was operational, no attack could have been launched by Israel "because bombing a hot atom plant would have released large amounts of fatal radiation over the entire Baghdad area and its innocent inhabitants," the official statement released yesterday said.

"But to sit back and not make a pre-emptive strike would have meent exposing Israel's population to the danger that Iraq would not have hesitated to drop the bombs on Israeli population centres. Hence Israel had to act immediately to prevent this *mortal danger.*"

It was also explained that a Sunday was chosen for the air strike "since the 100 to 150 foreign experts working on the reactor were expected to be absent from the site."

Israel claims that this assumption proved correct and that no foreign specialists were hurt.

Continued on Back Page

CIVIL SERVICE DISPUTE HITS BENEFITS

Strikers likely to be disciplined

BY PHILIP BASSETT, LABOUR STAFF

THE GOVERNMENT is likely to act *quickly on the 13-week-old* Civil Service pay dispute following its escalation to hit benefit payments.

It will probably announce an inquiry into future pay determination for civil servants this week. And it is likely to take tough disciplinary action against strikers, within the next week or so.

Ministers are anxious that the *dispute should end soon* — though not at the cost of improving the present 7 per cent pay package—partly because of the benefits action and partly because of the growing pressure for an all-out strike, which will be discussed by union leaders today.

Whitehall expects an announcement, probably some time this week, of the inquiriy into future pay determination in the Civil Service already held out to unon leaders. There is still some possibility of this taking the form of an internal departmental inqiury, is urged *by some unions, but a fully-*fledged Royal Commission is more likely.

Details of this were all but settled with the unions in talks last week. The only discussion outstanding is on the nominees for membership.

However, the Government, believing it is winning the lengthy dispute, is likely to be insistent that its nominees, *thought to be about eight, are* approved, and that its tough terms of reference for the inquiry are adhered to. This would mean that the key areas of job security and index-linked pensions would be central to the inquiry's work.

A hint of swift action, in disciplinary and other areas was given yesterday by Lord Soames, the Lord President of the Council, and the minister responsible for the Civil Service. The hint was in a Lords' statement when he canvassed publicly for the first time the prospect of withdrawing the 7 *per cent pay offer rejected by* the Civil Service unions.

Withdrawal is felt in Whitehall to be an easier option than a unilateral impositionin.

Under active consideration, also, is the possibility of trying to divide those on strike from the majority of civil servants still working, by backdating any settlement to the due date of April 1 for those who have *remained at work, but refusing* to do so for those on strike.

More suspensions from duty are also likely, particularly since staff at some local benefit offices, particularly in Scotland, refused yesterday to implement agreed emergency procedures to pay claimants' benefits manually following the start of strikes yesterday at three key benefit-payment computer centres.

The Government said it would do all i nits power to minimise the damage and hardship caused by the strikes, after staff were called out at Livingston, near Edinburgh, and Reading, Berks, *unemployment benefit* computers (58 and 59 staff respectively) and 101 staff at the child benefit computer at Washington, Tyne and Wear.

The majority of local offices followed union leaders' instructions to implement the emergency arrangements, which essentially consist of writing out manually Giro cheques for payments due.

However, the Department of Employment said that 29 offices, 28 of them in Scotland had refused the arrangements. Five offices were on strike, and 11 were closed to the public. About a dozen local Department of Health and Social Security offices were also said to be shut.

Leaders of the Council of Civil Service Unions will meet today to examine proposals for an all-out strike.

Ambulance workers call strike; Council staff plan action, Page 11
Ministers stand firm, Page 10

U.S. bid for British bank likely if Hong Kong move goes ahead

BY STEWART FLEMING IN FRANKFURT

A FAVOURABLE Monopolies and Mergers Commission ruling on Hongkong and Shanghai Bank's near-£500m takeover bid for Royal Bank of Scotland might lead to a U.S. bid for a major British bank in the wake *of such a deal.*

The chief executives of two of America's largest banks say that they are personally monitoring the progress of the bid for Royal Bank in the hope that a go-ahead from the Monopolies Commission may clear the way for them to bid for a big UK bank.

The executives, who made their remarks on visits to Europe last week, asked not to be named. One said that in recent years British banks had acquired or sought to acquire large U.S. banks, and that U.S. acquisitions of banks in the UK should be acceptable.

Two months' ago Standard Chartered, the British-based bank, most of whose operations are overseas, and Hongkong Shanghai Banking Corporation launched takeover bids for Royal Bank.

Standard Chartered was able to make a relatively low offer, partly, it would seem, because a counter-bid seemed unlikely.

Competition policy would *probably have ruled out a bid* for Royal Bank by one of the big four British clearing banks, and a foreign bid seemed unlikely because it had long been obvious that the Bank of England would not welcome a foreign bank's acquiring a major stake in an important British bank.

Shortly after the Standard Chartered move, however, Hongkong and Shainghai, with headquarters in Hong Kong and supervised not by the Bank of England but by the Hong Kong authorities, made a much higher offer for Royal Bank, which Standard Chartered was forced to match.

Subsequently both bids were referred to the Monopolies Commission.

The Hong Kong bank made its move even though it had been advised privately by the Bank of England that the Bank was not in favour of such a proposal by an institution which it classifies as a foreign bank.

Hongkong's pursuit of Royal Bank is a rare challenge to the Bank of England's influence in the City.

Given the power of the Central Bank in the banking sector, it must be considered a bold initiative underlining the determination of Hongkong's chief executive, Mr Michael Sandberg, to expand.

London officials are concerned *about the fundamental "public interest"* issue of whether it is in British interests for a major bank to be owned by a "foreign" bank regulated and supervised overseas.

In the Hongkong case these issues are thrown into particu-

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Polish leaders to meet following Moscow letter

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S LEADERS meet here today for a crucial meeting which could lead to major changes in the country's ruling hierarchy and further sharp increases in tension.

Squeezed by intense Soviet Union pressure to limit reforms, and by equally strong domestic demands for continued liberalisation, te policy making Communist Party central committee called the meeting in response *to a harshly critical letter from* Moscow.

Discussions among the 150 members of the committee could lead to the dismissal of party leader, Mr. Stanislaw Kania, his replacement by a man more in tune with Moscow, and the adoption of tough policies demanded by the Soviet Union in both party affairs and in society at large.

All East bloc attention is once again focused on Warsaw. The outcome of today's talks is expected to be discussed at a Warsaw Pact summit in Sofia, Bulgaria, early next week. The summit will probably decide whether further pressure is needed to force change.

The Soviet letter mentions Mr Kania and General Wojciech Jaruzelski, the Prime Minister, by name in the context of complaints that the Polish leadership has not taken sufficient notice of Soviet advice on how to deal with the threat of "counter - revolution" in Poland.

The letter called on the central committee members to take a firm stand against the threats to the socialist system. While criticising the radical wing of the Solidarity Union, it stopped short of demanding dramatic moves against the movement.

It also warned of the dangers of "revisionism" in the party but left a margin of manoeuvre for reformers.

The seven-page Soviet letter arrived five weeks before an extraordinary Polish Party Congress which is likely to see many of the central committee's members replaced.

Even though it is a "lame duck," with many members discredited or dismissed from their provincial party posts, the committee is still empowered to impose policy.

It could vote to retain the present leadership while imposing the tough policies the Soviets demand. On the other hand, it could vote out Mr Kania and even Gen Jaruzelski and replace them with hard-line figures such as Mr Stefan Olszowski.

Mr Olszowski has been severely criticised for his views by many rank and file members of the party although he has recently presented a marginally more moderate approach. His appointment as party leader could represent an attempt to satisfy the Soviets while trying to gain a measure of public confidence by underlining its commitment to economic reform.

The committee might also seize the opportunity to postpone the July party congress. This would provoke a revolt among the party rank and file. The promotion of Mr Olszowski would provoke a similar effect.

The developments have come too quickly for the party rank and file to react but they will be watching the meeting closely. During recent central committee meetings lowlier party members have held parallel talks and tried to put pressure on the leadership by sending in their own resolutions and demands.

The Polish Journalists' Association yesterday called for such a "party alert" during the meeting.

One of the first responses to the Soviet initiative came during a speech in Bydgoszcz to party members by Mr Mieczyslaw Rakowski, the Deputy Premier, at the weekend. Generally viewed as a moderate, Mr Rakowski took a hard line and warned that further demands by Solidarity endangered the future of the nation.

"Poland could in the near future become the source of unrest whose significance will reach far outside the country's frontiers," he said.

Mr Lech Walesa, Solidarity's leader, flew back yesterday evening from Geneva, where he was attending an International Labour Organisation meeting, in response to the situation.

Solidarity is planning a two-hour strike in Bqydgoszcz and neighbouring towns on Thursday to protest the lack of progress in the search for the police officers responsible for *the beating of three* union officials there in March.

A group of intellectuals representing the non-Communist establishment have issued a statement, prepared as a result of the Soviet move, in which they underline "the universal conviction" that reforms in Poland can be carried out noly with the Communist Party in government.

They warned, however, that attempts to "cancel out the reforms" threaten incalculable consequences for Poland, the Communist bloc, and Europe."

Mitterrand confirms ministerial changes following elections

BY ROBERT MAUTHNER IN PARIS

M. FRANCOIS MITTERRAND, the French President, has confirmed that there will be some changes in the Government, formed a little more than two weeks ago, after the general election on June 14 and 21.

He told journalists that several ministers might be given different responsibilities. Others would be allotted "more diversified tasks." He gave no details o which portfolios would be affected.

The reshuffle would take place whether or not the Communists participated in the new Government, the President indicated.

It is assumed the reshuffle will not affect the major ministerial posts. The "heavyweights" of the transitional Government, such as M. Pierre Mauroy, the Prime Minister, M. Claude Cheysson, the Foreign Minister, and M. Jacques Delors, the Minister of the Economy and Finance, are expected to be reappointed.

M. Mitterrand was speaking on the assumption that the election will give him a working left-wing majority in Parliament, with the Socialists dominant.

A very different situation was envisaged by M. Jacques Chirac, the Gaullist RPR leader, who hopes the President will have to make a deal with his opponents.

Answering questions on a radio programme, M. Chirac said that if the Union for a New Majority (UNM), an alliance of the Gaullists and Giscardian Centrists, won the election M Mitterrand would have to reach an understanding with it to be able to govern.

It was not the UNM's intention to provoke constitutional crisis by refusing to co-operate with a Socialist President. Nevertheless, it would set an important condition for participation in the Government—that the Socialist Party should break all links with the Communists and that no Communist ministers should be allowed to join the government.

The UNM would not vote for President Mitterrand's nationalisation programme or the election of regional assemblies by universal suffrage.

Whatever the election result, M Chirac emphasised he had no ambition to be Prime Minister, a post he held, with unhappy consequences, under M Giscard d'Estaing.

The Left has made its strongest advance among the Bretons, writes **David White**, recently in St-Brieuc

The Socialist tide rolls against the shores of Brittany

ALONG WITH the "black tides" of pollution from wrecked oil tankers (all, until further notice, cleaned up), another tide has spread along the shores of Brittany: red this time, less spectacular than the first, but more tenacious.

The West, archetypal domain of Catholic conservatism, is where the Socialist Party has made its strongest advance. Their score there in the general elections of June 14 and 21 will be a good measure of the extent and limits of the leftward momentum which carried President Francois Mitterrand to power.

Brittany, true to its traditions, was one of the few regions to give M Valery Giscard d'Estaing an overall majority on May 10. But seven years earlier, the department of Cotes-du-Nord had already slipped from the grasp of the right. This time all its parliamentary constituencies gave M Mitterrand the edge, and in the other three Breton departments the Right's majority shrank by 7 or 8 per cent.

In Cotes-du-Nord, the old Majority hopes at best to hold on to its three National Assembly seats. But the left could take all five constituencies and get its first complete Breton department. All are marginal except one, and that is the seat the Socialists already hold. In another, a Socialist is challenging the West's solitary Communist MP, the veteran M Francois Leizour, in the first round.

The left now holds only five of 25 Breton seats. M Mitterrand obtained a majority in nine other constituencies. The left is unlikely to win all, part of the anti-Giscard vote having come from disgruntled Gaullists. But local Socialists are optimistic that they can gain five or six seats.

The left has long had a bridgehead in Cotes-du-Nord, especially in the Breton-speaking west of the department. An anti-clerical tradition dates back to well before the French Revolution, becoming in turn Radical then Socialist. The fishing port of Paimpol produced the founder of French Communism, M Marcel Cachin.

The black tides that spilt from the Torrey Canyon, then the Amoco Cadiz in 1978 and most recently the Tanio, whose sunken holds are still being pumped out, hit one area most marked by this tradition — the rugged pink granite coast of the Tregor region near Lannion. Hotel bookings plummeted last summer. The locals, needing a culprit, chose the Government, and their resentment helped the left to enlarge its territory.

The Breton Socialists now have what they wanted; a Minister of the Sea—M Louis Le Pensee from Finistere — to cater to the grievances of the coastal population

But Brittany is also a region of farmers, the most important in France, specialised and intensive. Despite the remarkable improvement in this sector since the war, discontent over income levels and European Community policy brought many farmers out against M Giscard.

M Sebastien Couepel, a smallholder himself, is defending a seat he took for the Giscardians five years ago in St-Brieuc. His support is mainly on the farms: St-Brieuc itself is a bastion of the Unified Socialist Party and the area's scallop-fishermen are predominantly Communist. He is running this time as the sole candidate of the centre-right alliance. If he does not get in by an absolute majority in the first round, either the Communist or the Socialist could topple him. Indeed, they might have kept him out in 1978 if they had not squabbled.

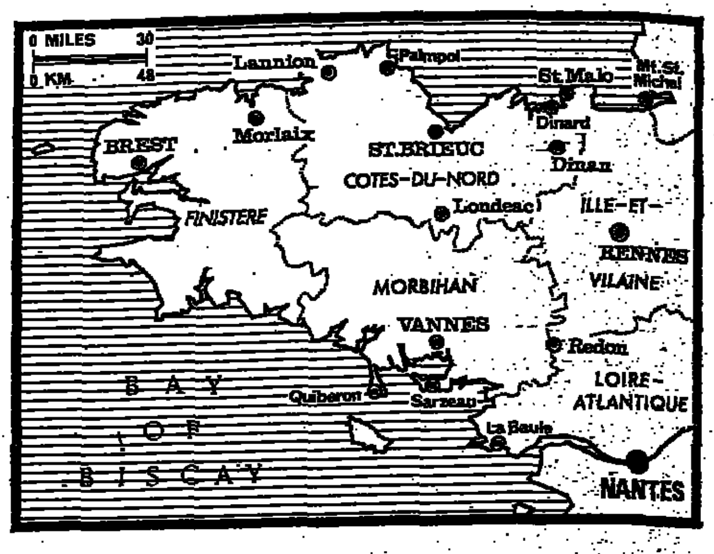
M Couépel, however, believes the seat is "winnable," regardless of the way the ballots were cast in the presidentials. "The farmers," he says, "are beginning to realise that Socialist government is not necessarily favourable to them." Hostile in the past to the European Community system of Monetary Compensation Amounts, the local pig-breeders are sensitive to what happens to the franc, worried about high interest rates and concerned that the consumer may now gain priority over the producer.

The farmers' vote is not a solid block. The old conservative allegiance of the family farmer is still there, but a left-wing movement has also developed through Catholic youth organisations and the modern notion of the "worker-peasant."

Brittany has always been an illustration of the relationship between the church's influence and that of the political right. The presidential election has cracked, perhaps for good, the once safe generalisation that the practising French Catholic votes conservative.

M Pierre Jagoret, Lannion's mayor and MP, the first Socialist to hold the post since the pre-war Popular Front, is a self-declared agnostic and a divorcee. "I would never have been elected here in Lannion 20 years ago," he says.

More interesting than this contest—in which M Jagoret faces a Communist journalist and a wheelchair-ridden Gaullist, but is not seriously threatened—is a comeback attempt at the other end of the department, in Dinan by the former Socialist MP, M Charles Josselin. M Josselin gained fame as a "young wolf" of the party in 1973 by unseating M Rene Pleven, the most prominent political figure to come from Brittany in the post-war period, and then lost the seat by a narrow margin in 1978 to a Centre physical education instructor, M Rene Benoit.



The Socialists could also take, for the first time, the inland Loudeac seat. The constituency is a contradition in itself, Gaullist since the war but with a strong "red" sector which has produced many militants for the Brittany Liberation Front. The "maid of Louoeac" Mme Marie-Madeleine Dienesch, is finally retiring, and Paris headquarters have "parachuted" in M Michel Denieul, director-general of the Merchant Navy, an ironic choice for the department's only landlocked constituency.

The Bretons do not much like "parachuted" candidates. The Socialists have found this out to their cost by trying to impose two head office people in the southern Morbihan department. The move is being bitterly resisted by local party people. After a series of mishaps, from economic crises to oil slicks they are in no mood to trust anyone from Paris.

Pertini urges Forlani to resolve Italian crisis

BY RUPERT CORNWELL IN ROME

PRESIDENT Sandro Pertini of Italy yesterday summoned Sig Arnaldo Forlani, the Prime Minister-designate to impress on him the need to resolve the country's government crisis—its 41st since the end of the last war—with the minimum of delay.

After a most unpromising start 10 days ago, Sig Forlani's attempts to put together his second successive coalition, probably a five-party grouping centred on his own Christian Democrats, look quite bright. The stumbling block is the timing of its birth, which is beset by complex tactical considerations.

Sig Forlani is due to complete a second round of talks with the five parties—Christian Democrats, Socialists, Republicans, Social Democrats and the small Liberal Party—by Wednesday. If all goes well, he might report back to President Pertini by Thursday his decision to go ahead definitely with the formation of a new administration.

However, the President is afraid that some parties, in particular the Socialists, which effectively brought about the latest crisis, may be aiming to spin matters out until after June 21, in the hope that a good showing in that weekend's local elections will increase their bargaining powers for the all-important distribution of ministerial posts.

The Socialists deny this. But President Pertini is insistent that the present problems of the country make it essential that a government is formed as swiftly as possible, without undue prevarication, well before June 21.

He is understood to have threatened that if matters become bogged down, he will either give the job of forming a government to someone else, or send back the outgoing administration before parliament for a vote of confidence.

The list of difficulties to be tackled is grim, even by the standards of crisis-ridden Italy. The continuing reverberations of the P-2 Freemason's Lodge scandal underline the need for action to clean up public life.

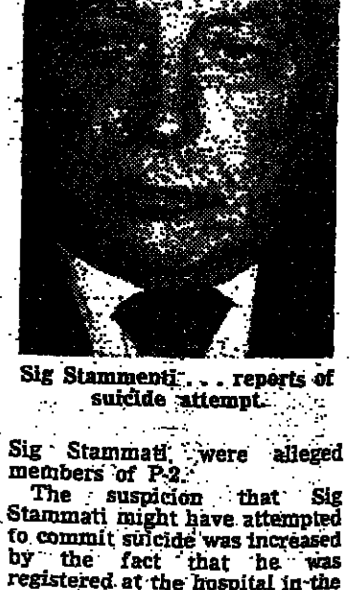
The Lira is weaker than ever, common crime and terrorism—the Red Brigades are holding three hostages—are rife, while a new earthquake has caused severe damage in parts of western Sicily.

Former Minister taken to hospital after questioning

BY JAMES BUXTON IN ROME

DOCTORS insisted yesterday that a former senior Italian Minister, interviewed by magistrates in connection with the P-2 scandal, was not being treated for a suicide attempt.

They said that Sig Gaetano Stammati, who is 73, was taken to a Milan hospital on Saturday because of a heart disturbance. His condition was improving, the doctors said. His family also denied reports of a suicide attempt.



Sig Stammenti . . . reports of suicide attempt.

The suggestion of suicide, strongly advanced by the Italian Press, was inspired partly by the finding of documents naming Sig Stammati at the house of Sig Licio Gelli, Venerable Master of the P-2 Masonic Lodge.

They suggested that Sig Stammati, as Minister of Foreign Trade, had masterminded the payment of commissions to Italian politicians in connection with an oil supply contract between Saudi Arabia and ENI, the Italian state oil company.

When the commission payments became known, in November, 1979, Saudi Arabia suspended the deal, which was on favourable terms for Italy. The documents found at Sig Gelli's house at Arezzo suggested that some of the most senior politicians in the country were due to receive commissions.

The magistrates interviewed Sig Stammati recently and writs for aggravated political espionage were served against three of his close associates. All, like Sig Stammati, were alleged members of P-2.

The suspicion that Sig Stammati might have attempted to commit suicide was increased by the fact that he was registered at the hospital in the name of his son-in-law, and that he was taken to hospital the day after the suicide of Col. Luciano Rossi, member of the Guardia di Finanza, Italy's financial police.

Col Rossi had been a member of the Guardia di Finanza's secret service branch and had been interviewed by magistrates following the breaking of the P-2 scandal.

Report calls for Dutch wage and welfare reforms

BY CHARLES BATCHELOR IN AMSTERDAM

A THOROUGH overhaul of the Dutch wage and welfare system and new stimuli for Dutch industry are called for in two official reports published yesterday.

Their recommendations will probably be taken into account in the economic policies of the new Dutch Government.

Public sector wage levels should no longer be linked to wages in industry and should not be allowed to rise at the same pace as the industrial wage over the next few years, the Central Economic Commission urged in its report.

Welfare payments should not remain linked to the industrial wage if they move out of line with civil servants' salaries, the report said.

In a separate report, the Advisory Commission for Industrial Policy called for Government funds to be switched away from propping up lame ducks

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'Jumbo' EEC council ordered to debate jobless problem

BY JOHN WYLES IN BRUSSELS

THE European Community will be treated this week to a rare public display in Luxembourg of a "jumbo" council comprising some 20 ministers who have been ordered to deliberate on the unemployment problem.

Twice the size of a normal EEC council meeting, the "jumbo" is being paraded on Thursday in spite of serous scepticism among the 10 economics and 10 employment and social affairs ministers who have been told to take part.

Knowing that there is no action to be taken at Community level which can quickly reduce unemployment levels, they fear that their circus act will invite public derision.

On a couple of occasions in the past few weeks the ringmaster has shown a decent readiness to abandon the whole enterprise. But the Dutch Government, which holds the EEC presidency until the end of the month, has been pushed and shoved into organising the show by the British, who want none of the embarrassment of having to do it themselves when they take over the presidency on July 1.

The performance is after all the idea of Mr Andries van Agt, the Dutch acting Prime Minister and was vaguely endorsed by his fellow promoters at an EEC summit last November. Since then the unemployment problem has worsened but so evidently have the difficulties of teaching the jumbo to do anything but trumpet a few well meaning intentions.

Great interest will centre on whether the presence of French Socialist ministers gives the performance an unexpected sparkle. They might want the jumbo to go down on one knee to the idea of the phased introduction of a 35-hour week in a move to put tackling unemployment higher up the list of EEC priorities.

The impact of French socialism in the Community was first seen clearly last week when the prospects for adoption of a 12-month-old £60m package for redundant steelworkers improved immeasurably because the French said they wanted it.

However, the council's draft agenda suggests that much time will be spent inside that jumbo skin agreeing that governments are generally on the right track in making a reduction of inflation their number one task.

They may agree that some specific measures can still be taken to soften the blow of youth unemployment and to promote small and medium-sized businesses.

The biggest worry, at least from the British point of view, is that the ministers may get a little carried away by the smell of the EEC greasepaint and the roar of the Community crowd and decide to set the Commission to work one or two things that will require the jumbo to play an encore later in the year.

Sir Geoffrey Howe and Mr James Prior, the UK's Chancellor of the Exchequer and Employment Secretary, are unlikely to receive a standing ovation from 10 Downing Street if this is allowed to happen.

Garret FitzGerald, man who would be Premier

BY STEWART DALBY IN DUBLIN

DR GARRET FITZGERALD, economist, journalist, lecturer, former foreign minister, and now, as leader of Ireland's main opposition party Fine Gael, would-be Prime Minister, is a nice, decent man.

Everyone who has ever met him says so. The next thing they usually say is "Yes, but can you really see him as Taoiseach (Prime Minister)?"

The central doubt about Garret, as he is universally known, is while his intellectual abilities are unquestioned, he possibly lacks not only political know-how but also political will.

Anybody who has seen him campaigning will have been left in no doubt about the man's vigour and transparent decency.

An incredible chatterbox, he has barnstormed the country, rattling out speeches and homilies at 600 words a minute — which the BBC says is twice the broadcasting norm — and not only kissed babies but he has been shaking hands with them.

He jokes, lectures and bubbles away in a manner which is in almost complete contrast to the lacklustre approach of Mr. Charles Haughey, the Prime Minister.

To this endearing campaign style should be added Dr FitzGerald's distinguished record as foreign minister in the coalition governments of 1974 and 1977.

During his spell as president of the EEC council of presidency Foreign Ministers the Lome Convention was signed. He was in Egypt sorting out the Middle East on behalf of the EEC, in Cyprus fixing things up there, and generally seemed everywhere. He made an international reputation rivalled only by half a dozen Irishmen this century.

Yet anyone who has watched him perform in the Dail (Parliament) would be bound to have doubts about his political presence.

He has not shone in the major debates of the past two years. In particular, he trailed Mr Frank Cluskey the Labour party leader in the important neutrality debate.

OECD countries cut oil imports

By David White in Paris

THE industrialised Western countries of the Organisation for Economic Co-operation and Development (OECD) reduced their net imports of oil by 12.6 per cent last year as consumption fell and their own production rose slightly.

This emerges in figures just published by the OECD in conjunction with the International Energy Agency, which groups the biggest Western oil importers other than France.

The statistics come against a background of expectations that world demand for crude oil will decrease this year.

The net import level for the OECD area dropped to 1.14bn tonnes in 1980, while OECD stocks of crude oil and oil products rose to 462.8m tonnes from 443.9m at the end of 1979.

Consumption showed a 7 per cent drop for the year. Crude oil output in OECD countries increased by 1.1 per cent to 702.2m tonnes, but in the last quarter of 1980 it reached only 176.8m tonnes, 0.7 per cent below the level achieved in the same period of 1979.

The figures show a 28 per cent growth in Norwegian production for last year and a 3.3 per cent increase in the UK's North Sea output.

East Berlin election changes

By Leslie Colitt in Berlin

EAST GERMANY is eliminating another vestige of post-war four-power responsibility for Berlin by announcing that in next Sunday's East German elections, delegates from East Berlin will be elected directly to the East German People's Assembly instead of being nominated.

East Berlin delegates have been nominated separately since 1950, like West Berlin's members of the German Bundestag in Bonn.

The three Western allies—Britain, the U.S. and France—recently protested in Berlin to the Soviets over the change, which is to demonstrate that East Berlin is an integral part of East Germany.

The allied ambassadors to Moscow are expected to lodge another protest after the election, but there is little the West can do other than to register its disapproval.

Western allied access to East Berlin will not be affected by the move, as allied military vehicles continue to patrol through East Berlin at will, and are subject only to Soviet and not East German control.

Similarly, Soviet Army vehicles patrol through West Berlin several times a day, and Soviet air controllers help to man the West Berlin air safety centre.

Kevin Done in Frankfurt assesses the Ruhrgas-led deal to buy Norwegian natural gas

How W Europe is sating its thirst for energy

A YEAR ago Dr Klaus Liesen, chairman of Ruhrgas, West Germany's leading gas importer and distributor, was rash enough to suggest that the DM 20bn (£4.2bn) deal to build a 5,000 km natural gas pipeline from Siberia to Western Europe—potentially the biggest ever East/West trade deal—would be signed by Christmas. "Did I say which Christmas?" he countered defensively last week as he ran into charges of over-optimism.

Whether negotiating in Moscow or Oslo, Algiers, The Hague or Lagos, West European gas buyers are well used to long delays in setting up their multi-billion dollar gas import schemes.

There are signs that the log-jam is breaking up in Norway, however, and the gas-hungry continent is confident that the first important step forward will be taken this week in Oslo with Storting, the Norwegian parliament voting to approve a major new gas export project.

The seven-member continental consortium led by Ruhrgas, and including Thyssengas, BEB (Shell and Esso) and Gelsenberg (Deutsche BP) from West Germany, Gaz de France, Distrigaz from Belgium and Gasunie from the Netherlands, has already beaten British Gas in the hard-fought contest to buy the next Norwegian gas, but the deal still needs the Storting's official blessing.

The Norwegians have been supplying gas to the continent since 1977 through the gas pipeline from the Ekofisk complex of fields, but the latest deal is important because for the first time it will open up the gas fields of the northern North Sea for continental buyers.

In a NKr 13bn (£1.1bn) scheme, the Norwegians are expected to opt to build an 850 km pipeline to collect gas from the Statfjord and Heimdal fields and from reserves in quadrant 34/10, the so-called "golden block." The gas from Statfjord and eventually 34/10 will first be pumped to the Norwegian mainland, where the heavier wet gases, the natural gas liquids, ethane, propane and butane will be stripped out for possible use as petrochemical feedstocks. Most of the dry natural gas, methane, will then be transported further by pipeline to the south to link up with Heimdal and with the Ekofisk gas trunkline.

Oslo has come under heavy pressure from the U.S. to increase gas exports to Western Europe to try to deflect the continent's interest in the 40bn cu metres a year gas deal with the Soviet Union. This, Washington fears, will make such countries as West Germany dangerously dependent on Moscow.

The first gas is expected to flow in 1985-86, with an annual volume of around 6.5bn cu m, of which some 2bn cu m a year will go to West Germany. Norway is already supplying up to 18bn cu m of natural gas a year to continental Europe of which West Germany takes about half. Norway supplied around 16 per cent of West Germany's gas last year.

The importance of the new pipeline goes far beyond the immediate deal, however. With this decision in favour of the continental buyers and against British Gas, the Norwegians are setting the pattern of gas exports for many years to come. As Dr Liesen is quick to point out, the new trunkline's capacity will be around 15bn cu m a year, more than enough for later field developments to feed into the system.

"The proven recoverable gas reserves in the Norwegian North Sea increased by 60 per cent last year to 1.7bn tonnes of coal equivalent," says Dr Liesen. "Given Norway's relatively limited domestic needs, these resources hold out an extensive potential for future gas exports." Once the pipeline is built there is only one direction the gas can flow, strengthening the hand of the continental buying consortium in future negotiations.

Oslo has come under heavy pressure from the U.S. to increase its gas exports to Western Europe to try to deflect the continent's interest in the new 40bn cu m a year gas deal with the Soviet Union. This, Washington fears, will make such countries as West Germany dangerously dependent on Moscow for an important part of their energy supplies.

Dr Liesen was scathingly critical of the U.S. view. "Only non-experts could think like this," he said last week. To push Norway to develop its oil and gas resources faster than it held to be sensible was as "absurd unacceptable and irresponsible." Only a measured development could avoid the financial, structural and social problems which would otherwise result. Extra gas from Norway would anyway only complement rather than replace Russian gas.

After a hiatus in the protracted negotiations with the Soviet Union, talks have "intensified" in recent weeks according to Ruhrgas, with the two sides meeting at two to three week intervals. It now seems clear that Moscow has decided to build two parallel pipelines each capable of taking gas at up to 75 atmospheres pressure rather than a single 100 atmosphere line, which would have required an advanced technology never before used over such distances.

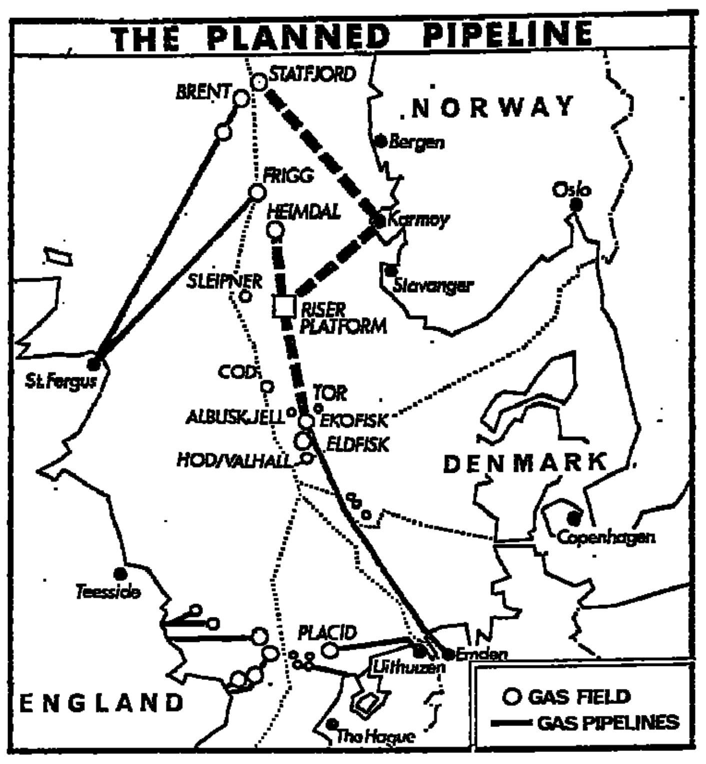
As far as Dr Liesen is concerned, the gas price is still the key unresolved problem. The whole deal could still collapse, he said. "But I think it improbable that it will fail." The gas could still be flowing by the end of 1984, he said. But colleagues in the gas industry feel this is rather optimistic.

Most important for Ruhrgas, the price finally agreed must be competitive with other West German heating fuels. The consortium leader has been one of the most outspoken opponents of attempts by some gas-producing countries to gain "parity" for gas and crude oil prices, in the way Indonesia has managed with Japan and Algeria recently with Belgium.

In the renegotiations of price contracts with the Netherlands and Russia, Ruhrgas has maintained the principle that gas price rises should be linked rather with competing fuels, fuel oil and heating oil. But for the latest Norwegian scheme it has reached a compromise allowing part ofthe price adjustment to be linked with crude oil as well as with fuel oil and heating oil.

Such a compromise could also win agreement with the Russians on the gas price. But that still leaves the banks and the equipment suppliers to settle the still thornier question of interest rates for the DM 20bn credits to finance the whole deal.

Ruhrgas results—Page 34



OVERSEAS NEWS

Israel 'fears Islamic bomb'

By Simon Henderson

EVEN before Sunday's Israeli air strike against Iraq's nuclear establishment outside Baghdad, Israel had let it be known that it was prepared to use force to stop Iraq developing its nuclear technology.

In 1979, French reactor equipment about to be exported to Iraq from Toulon was destroyed with explosives in what was assumed to be an Israeli undercover operation.

Last year an Egyptian scientist working for the Iraqis was killed in his Paris hotel bedroom. Again, the culprits were never found but the finger was pointed at Israel.

A possible third incident was the air attack last September in the first few days of the Gulf war when Iranian U.S.-made fighter aircraft strafed the Iraqi nuclear plant with rockets. At the time the aircraft were assumed to be Iranian, but then a substantial mythology developed which held that the Israelis had used the cover of the war to launch the mission.

Whoever was responsible for that mission was only partially successful. The two French-made reactors, both used for experimental rather than power generation purposes, are thought not to have been hit. But French technicians were all evacuated and what was even more worrying, Iraq stopped inspections by the International Atomic Energy Agency, the UN watchdog on nuclear proliferation.

Israeli fears that Iraq will use a peaceful nuclear programme as a cover for a military project are based on the possibility that the highly enriched uranium fuel in the research reactors might be used to manufacture a crude atomic bomb.

Other countries discount this possibility, saying that the enriched uranium would first have to be separated using means not a vailable to the Iraqis. Instead they privately express fears that plutonium recovered later on in the programme could be used for military purposes.

These anxieties have not been expressed publicly for reasons of diplomatic nicety. The Iraqis have both ratified the nuclear Non-Proliferation Treaty (NPT) and agreed to the safeguards demanded by the IAEA.

Indeed, following the apparent reduction in tension between Iran and Iraq, French technicians are reported to have returned recently to Baghdad, though it is not clear whether they were on the site when the Israelis attacked on Sunday.

The Iraqis had not been thought to be near any significant point of nuclear development. The IAEA restarted inspections of the plant this year, and is understood not to have had any worries after a visit early this year.

The Iraqi nuclear programme has nevertheless been viewed with suspicion by the U.S.

Israel's action against Iraq will not necessarily mark a decisive setback in efforts to prevent the building of a so-called "Islamic bomb." Pakistan is known to have an even more advanced clandestine nuclear weapons project. Iraq is geographically very much closer to Israel than Pakistan, and the attack on Baghdad will be judged just as effective in making Israel's point.

Pressure on Bani-Sadr increases

BY OUR FOREIGN STAFF

PRESIDENT Abolhassan Bani-Sadr of Iran yesterday came under the most severe pressure of his 18 months in office when Ayatollah Khomeini, the Iranian leader, warned dissident politicians he would remove them from power if they continued to challenge Iran's Islamic authorities.

Ayatollah Khomeini, in one of his most angry outbursts since toppling the Shah, was speaking after sporadic shooting and street fights broke out in central Tehran yesterday as supporters of the President took to the streets following a ban imposed a day earlier by the prosecutor-general, on Mr. Bani-Sadr's newspaper.

A newspaper produced by the President in place of the banned journal appeared on the streets yesterday and called for demonstrations outside the Tehran bazaar, telling readers "your resistance will thwart all the plots."

President Bani-Sadr, who was elected in January 1980 in a landslide victory, has been fighting a prolonged struggle for power with Iran's clergy ever since. He sought to bolster his prestige by taking personal charge of the war against Iraq but this has dragged on and his grip on power appears to have weakened.

In a speech broadcast by State Radio, the Ayatollah said, in a voice choking with anger: "Listen, I'll do the same that I did with the Shah . . . with those who want to oppose the prosecutor's office, the Majlis (parliament) and other institutions."

Ayatollah Khomeini did not name any politicians, but the chief target appeared to be Mr Bani-Sadr. Eye witnesses reported fighting between supporters of the President and Islamic extremists near the Tehran bazaar, which was partially closed.

They said revolutionary guards fired warning shots and tear gas grenades to disperse groups of demonstrators shouting support for Iran's embattled President. There were no reports of casualties.

The President is coming under strong pressure to resign. The Parliament, dominated by radical clergy, have accused him of refusing to sign Bills passed in the house and a commission set up recently by the Ayatollah criticised his approach to the country's constitution. There have also been calls from senior clergymen for Mr Bani-Sadr to be brought to court to face charges of constitutional misconduct.

Arabs press for Lebanon ceasefire

By James Buchan in Beirut

TWO DAYS of intense Arab diplomatic effort to end the bitter internal conflict in Lebanon appeared to be paying off yesterday as a ceasefire was expected to go into force.

This would be a promising sign for the mission of Mr Philip Habib, the special U.S. envoy, to defuse the crisis between Syria and Lebanon over the installation by Damascus of surface-to-air missiles around the town of Zahle. Mr. Habib is thought in Beirut to be heeding a Saudi request not to return to the Middle East until the Arab effort ends.

The four-man committee of Arab Foreign Ministers, which is meeting under the chairmanship of Lebanon's President Elias Sarkis, held more than 14 hours of talks with leaders of the various Lebanese factions on Sunday. The Ministers appear to have secured general agreement on the overriding need for a ceasefire. Less progress has been made on the underlying conflicts, particularly between the Christian group and Syria and its Muslim allies which have erupted into fighting around Zahle, on the Sannine Heights and in Beirut.

The committee, which includes Prince Saud al Feisal, the Saudi Foreign Minister, Sheikh Sabah al Ahmad, the Foreign Minister of Kuwait, and Mr Chedli Klibi, the Secretary General of the Arab League, continued discussions with the various Lebanese factions from the summer palace of Beiteddine, in wooded country south-east of Beirut.

The meeting was due to break up last night but it will continue at ambassadorial level to try to resolve the tensions which have caused more than 600 deaths since fighting erupted between Syrian troops and Christian militia in April.

The general optimism was reflected in a calm day in both Beirut and Zahle and a heavy volume of traffic through the sole remaining road linking Muslim and Christian Beirut. But there is much less confidence that the committee, particularly at such a junior level, can come to grips with the basic differences.

Syria is deeply concerned about the threat posed by a fractured Lebanon to its own security while the Christian groups feel threatened by the presence of the almost 30,000 Syrian troops that make up the Arab Deterrent Force.

Mr Abdul Halim Khadam the Syrian Foreign Minister, said that no progress could be made until the Christians—and particularly the main Christian militia of the Phalange—end their relationship with Israel.

Left to right: Kuwait's Sabah al Ahmad Al Sabah, Syria's Abdel Halim Khadam, Lebanon's Fouad Bitros and Prince Saud Al Faisal of Saudia Arabia.

Iraq cuts oil pipeline tariff

BY OUR FOREIGN STAFF

IRAQ has cut its pipeline tariff for oil to the Mediterranean by 57 cents per barrel.

The new rate is the latest response to lower demand and resistance to the levels set for crudes produced by members of the Organisation of Petroleum Countries (Opec), the Middle East Economic Survey said at the weekend.

The price for Kirkuk crude delivered at Ceyhan in south-east Turkey and Banias in Syria has been lowered from $37.50 to $36.93. It is believed that Japanese customers, who have complained of the extra cost of shipping Iraqi oil eastwards through the Suez Canal, have had their credit terms extended from 30 to 60 days in compensation for extra transport costs.

Iraq's oil exports, running at 800,000 barrels a day, are pumped to the Mediterranean terminals because of the damaged Gulf terminals and the war with Iran.

Oil contracts between Qatar and three Japanese concerns—Mitsubishi, Sumitomo and Mitsui—have been renewed by Qatar. But they will be buying only 50,000 b/d compared with 95,000 b/d over the past 12 months, according to the survey.

Qatar has announced a cut in production from 480,000 b/d to 400,000 b/d in line with the agreement by 10 members at last month's OPEC conference in Geneva on a co-ordinated programme to reduce overall output.

Reuter reports from Kuala Lumpar: Malaysia's state oil company, Petronas is reported to have reduced crude oil prices for the second successive month.

Nkomo wins elections

By Our Salisbury Correspondent

Mr Joshua Nkomo's Patriotic Front (Zapu) swept the board in the weekend local Government elections in Bulawayo, Zimbabwe's second city. The Nkomo party won all 15 seats being contested and now controls Bulawayo which has a city council of eight whites and 15 Zapu councillors.

Bulawayo, in the heart of Nkomo territory in South-West Zimbabwe, is the last urban centre in the country to change over to black control at local government level.

Quentin Peel reports from Johannesburg: Coloured schoolchildren from townships in and around Johannesburg have abandoned their boycott of classes following last week's clashes with riot police. But pupils in the mixed race townships of Cape Town have now called for a sympathy protest.

Attendance at Johannesburg's high schools ranged from 50 to 90 per cent, as pupils returned to their classes for mid-year exams. But race relations workers warned that the situation in the coloured townships was extremely volatile as the fifth anniversary of the outbreak of the 1976 Soweto riots approaches on June 16.

Moves to end Australian strike

BY COLIN CHAPMAN IN SYDNEY

ATTEMPTS will be made in Australia's Arbitration Commission in Melbourne today to resolve the nation-wide telecommunications dispute which has brought chaos to business and industry in the capital cities.

Perth, in Western Australia has been all but cut off from the outside world. Sydney's trunk calls have been cut by 75 per cent, and it is no longer possible to dial international calls from New South Wales. Operator-connected calls have been halved. As Mr. Ken Douglas, Sydney manager of Telecom Australia, put it: "Sydney will be isolated telephonically by Tuesday.

"The possibility of being able to make a telephone call from Sydney to any centre outside the city will be extremely remote. The financial cost to the business community is going to be enormous unless sense prevails and the exchanges are brought back into service."

The position has worsened in the last few days as unions have stepped up bans on repair and maintenance of equipment in support of a pay claim to bring the wages of Telecom workers to parity with other telecommunications workers.

Telecom has offered its 50,000 technicians, tradesmen and linesmen an increase of A$18.50 (£10.27) to A$32 a week in two instalments, but, although this has been accepted by union officials, it has been turned down in New South Wales.

So far, the only way to communicate effectively interstate or overseas is by telex.

The Sydney telex exchange is still intact, though, according to Mr. Douglas, there is no guarantee it will remain so.

Mr. B. Mansfield of the Australian Telecommunications Employees' Association, has warned his members that if they do not go back to work there will be thousands of lay-offs, leading to "an industrial and political crisis."

Waldheim meets Suzuki in Tokyo

TOKYO—Dr Kurt Waldheim, the United Nations Secretary-General, met with Prime Minister Zenko Suzuki of Japan yesterday for talks that focussed on Cambodia, Foreign Ministry officials said.

Local officials said Dr Waldheim was likely to ask Mr Suzuki to pledge Japan's co-operation in UN efforts to bring peace to trouble spots such as Cambodia and Afghanistan, despite Japan's constitutional restraints on the use of troops for anything but defensive purposes.

Dr Waldheim was also likely to ask the Government to play a more visible political role at the UN-sponsored conference on Cambodia, scheduled to be held in New York next month.

The Foreign Ministry said the Cambodia question dominated the talks. They also discussed Mr Suzuki's nine-day tour of Europe, which begins today.

Dr Waldheim is to have an audience today with Emperor Hirohito at the Imperial Palace. In the afternoon he visits the United Nations University, the largest single UN body in Japan.

AP

Vietnam troops 'in China border clash'

By Tony Walker in Peking

VIETNAM launched a battalion-strength attack across China's southern border at the weekend, according to Xinhua, the New China news agency.

Xinhau reported that, early Sunday morning, Vietnamese troops began an artillery bombardment of the Fakashan mountain area in Guangxi, an area of persistent conflict.

The Chinese claimed the Vietnamese attack against border guards was launched on several fronts.

According to the Chinese report, the Vietnamese troops continued to bombard the Fakashan mountain area after their attack was repelled.

The report of the latest conflict is one of a series over the last month in which China has accused Vietnam of border violations and in some cases large-scale attacks.

Some Western observers see China's frequent complaints about border violations as an attempt to put pressure on Hanoi at a time when moves are under way to form a united front of anti-Vietnamese forces in Kampuchea.

The observers say there have been no indications that China and Vietnam are preparing for a large engagement such as the border war of 1979.

Reagan offer of poll immunity to Democrat rebels

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT Reagan has deliberately increased the stakes in the coming tax battle on Capitol Hill by promising political immunity in the mid-term 1982 elections to those conservative Democrats who vote his way.

He has told conservative Democrats that in these circumstances he would not campaign against them in their district. Worried that rebel Democrats might get the impression that one tax-cut vote could earn them carte blanche protection, Mr James Baker, the White House chief of staff, interpreted this over the weekend to say that repeated pro-Reagan votes would be the premium for this insurance.

This ploy is symptomatic of the increasingly bitter tactics and rhetoric being used by both sides, who are aware that the outcome of the tax cut battle may set the political tone for a long time.

Democratic Party leaders hope to show that their party's values and nominal majority in the House of Representatives still count for something. They will try to tilt the tax cut towards the poor and middle income sectors while seeking to exploit big business's unhappiness with the Administration on tax relief plans.

Three weeks of muffled talk of compromise have passed and Mr Thomas O'Neill, the Speaker and senior Democrat in the House, is calling Mr Reagan and his entourage "selfish" and their tax plan "a windfall for the rich."

Aware that this is not the feeling of southern conservatives in the Democratic Party, Mr Reagan is more blatantly than ever seeking to drive a lasting wedge between them and their more liberal leader. Such a split could give him de facto control of Congress beyond 1982.

In line with the White House's long-term strategy, Mr Baker affirmed over the weekend that Mr Reagan had every intention of seeking a second term in 1984. Whether that turns out to be the case or not, the White House does not want Congress to think at this stage that Mr Reagan will be a lame duck without long-term rewards and penalties to dispense.

Victory on taxes may have been made more necessary for Mr. Reagan by the fiasco over his nominee for the Administrations human rights job, Mr. Ernest Lefever, who on Friday night withdrew his name from consideration after being rejected by the Senate Foreign Relations Committee.

The Administration may restore some of its latest reduction in investment depreciation allowances to placate big business, according to Mr Baker. The original Reagan plan called for accelerated depreciation that would allow the write-off of vehicles over three years, equipment over five, and fixed plant and buildings over 10. The last category has now been changed to 15 years in the latest Administration plan, and the real estate sector of the U.S. business community is in an uproar.

For 1981-82, the Administration is now proposing $28bn in personal tax relief with a 5 per cent rate cut on October 1, compared with $44.5bn individual relief that would have flowed from a 10 per cent rate cut. The difference in 1981-82 relief on depreciation is much smaller: $9.1bn compared with $10.5bn originally, but this gap widens substantially in later years. That is what the business groups are complaining about.

There is a double political ploy in scaling down the impact of tax cuts in 1981-82 while retaining the three-year approach overall. A smaller deficit would appeal to the southern conservative Democrats whose support Mr. Reagan needs.

The Administration is now proposing a big increase in the exemption of farms and estates from inheritance tax, which should appeal to all politicians from the rural South and Southwest. It is also proposing to increase by 250 per cent, to $2,500, the tax exemption for oil royalty owners. Asked who this was aimed at, Mr Donald Regan of the Treasury noted with a smile that there were a lot of Democratic votes in the oil-producing states.

U.S. hints at arms offer to China

By Our Washington Correspondent

THE U.S. may widen the range of military equipment it is ready to sell to China, the State Department has disclosed. Mr. Alexander Haig, the Secretary of State, is expected to discuss military equipment sales when he visits Peking next week as part of a Far East tour.

But the Administration has made no decision to sell Peking "offensive lethal" arms, the department stressed. It has so far only decided to speed up any supply of non-lethal military equipment that China might want.

The latter category includes military transport aircraft, and equipment with a dual military-civilian use such as trucks, radar and radios.

Mr. Haig is taking Pentagon and National Security Council experts with him to Peking next week. So far China has not requested any arms, the State Department said.

Even if Washington agreed to sell arms to China, it would not expect to become a major supplier. The department said that China seemed more interested in obtaining the technology that went into modern arms rather than the equipment itself.

The U.S. is also aware that China has had many arms sales discussions with European countries, but very little in terms of contracts has come of them.

Iran assets appeal rejected

WASHINGTON — The U.S. Supreme Court yesterday refused to give speedy review to the agreement that led to the release of 52 American hostages from Iran.

The justices, rejected without comment, an appeal by a Texas-based computer company for the halting of the transfer next month of Iranian assets in the U.S. to an international arbitration panel.

Electronic Data Systems, Iran, a subsidiary of Electronic Data Systems of Dallas, told the court that speedy action was needed to protect a $20m court award which the company had won against the Iranian Government. The company's lawyers argued that the U.S. Administration — the executive branch of government — under the tremendous pressure of the Iranian hostage crisis, had committed itself to a course which was irreconcilable with the constitutional principle of separation of powers.

The transfer of up to $4bn in Iranian assets, frozen in the U.S. by President Carter in November, 1979, is due to take place on July 19.

Mr. Carter ordered the transfer just before leaving office last January as part of the agreement that led to the release of the hostages.

AP

Argentina grants $15m aid to El Salvador

BUENOS AIRES—Argentina has granted a $15m loan to El Salvador to purchase locally manufactured goods.

The aid was announced at the end of an official visit to Argentina by El Salvador's Foreign Minister, Sr Fidel Chavez Mena. Sr Chavez Mena and the Argentine Foreign Minister, Sr Oscar Camilion, signed a joint communique with three agreements on economic and technical matters.

Sr Chavez Mena said at a Press conference that he had not discussed military matters during his visit, which was concerned with political and economic issues. AP

Ottawa's Finance Minister rules out new spending

BY VICTOR MACKIE IN OTTAWA

CANADA'S Minister of Finance, Mr Allan MacEachen, has ruled out any major new spending programmes by the Government for at least three years.

Addressing a Liberal Party policy meeting, he told the 100 delegates that inflation was eroding the Government's ability to act and had shut the door on any chance that the Government might offer assistance to home-owners, small businessmen and farmers, all hard-pressed by high interest rates.

Mr John Crosbie, the former Conservative Minister of Finance, said in an interview that Mr MacEachen was going in the direction of a huge tax increase and, possibly, the imposition of wage and price controls in the next budget.

Washington unleashes the nuclear debate

BY DAVID BUCHAN IN WASHINGTON

YOU CAN take a horse to water—and the West Europeans have succeeded in persuading President Ronald Reagan's administration to talk with the Soviet Union on reducing their medium-range or "Theatre Nuclear Forces."

The chain starts this week, with preliminary discussions by Mr Larry Eagleburger, the U.S. assistant secretary for European Affairs, with the Soviet embassy in Washington, preparing the ground for the mid-September meeting between Mr Alexander Haig, the Secretary of State, with Mr Andrei Gromyko, the Soviet Foreign Minister, and then probably proper negotiations at some time in the autumn.

But making that horse drink is another matter, as Mr Eagleburger reminded Europeans last yeek. Allied views were only one factor, "and not even necessarily the principal one," in how the U.S. decided to go about nuclear arms control, he told a congressional committee.

Behind this waspish reminder that the U.S. holds the nuclear trumps lie a variety of anxieties about Theatre Nuclear Forces. That the appearance of being pushed into negotiations would undermine the U.S. in Soviet eyes, that the reality of being pushed would lead to skimpy preparations, and above all that President Reagan might be propelled faster than he wants down a road called Salt.

Most people in the Reagan Administration realise the anti-nuclear clamour in Europe is for real, and is not necessarily pacifist or neutralist. One or two highly placed officials treat it derisively. Mr Richard Allen of the National Security Council has called it a contemptible "Better-red-than-dead" mentality, akin to collective cowardice.

But in a speech here last month, Chancellor Helmut Schmidt of West Germany asked rhetorically how those living in the Washington DC-Boston corridor—the only population density comparable to West Germany's—would like 572 Pershing and Cruise missiles for new neighbours. Not much, to recall the near panic in this area immediately after the Three Mile Island nuclear power station accident two years ago.

More telling is the very understandable fuss Utah and Nevada residents have made about ex-President Jimmy Carter's plan—now being reviewed—to put MX missiles on massive ring roads around their states. It would be hard to find a more flag-waving, defence-minded segment of the population than the Utah-centred Mormon Church, but even it has pronounced the MX anathema.

This is the heart of Reagan country. But one consideration the President will have to bear in mind as he makes his decision soon on how to base the MX is that if he pulls it entirely out of Utah-Nevada, this will send the message to Europe that political opposition works in getting rid of missiles.

In general, the Administration intends to "hurry slowly" on the Theatre Nuclear Forces. The Russians are clearly interested but, U.S. experts say, have not so far budged from a propaganda position: what's mine (SS-20S) is mine, and what's yours (Cruises and Pershings) is negotiable. But equally, the officials believe the prospect of low-flying, computer-guided Cruises facing Russia in Europe may cause a change of mind in the Kremlin.

The U.S. negotiating position being drafted is a tightly classified secret. But it will have to be cleared with Europeans first. If Mr Reagan is consistent with the line of his criticism of the Salt II pact, he will go for big reductions in the tactical nuclear arsenals. European allies are unlikely to balk at that. But they will be concerned at the expected Russian attempt to bring into the scope of the Theatre Nuclear Forces debate not only the new crop of Cruises and Pershings but also nuclear weapons carried by U.S. aircraft in Europe and the British and French deterrents. The Western response to this needs thrashing out, even if it is only a collective raspberry.

Washington always spends a lot of time and energy negotiating with itself. But there is a relatively high degree of unity on the Potomac about Theatre Nuclear Forces.

Mr. Eagleburger: "Allied views are only one factor."

- The two-pronged Theatre Nuclear Forces approach—since the 1979 Nato decision to pursue both re-armament and disarmament — has something for both the hawks (missile modernisation) and the doves (arms control).
- The quartet most involved are of pretty like mind. Mr. Haig, Mr Caspar Weinberger, the Defence Secretary, Mr Eugene Rostow, of the Disarmament Agency, and General Ed Rowny, the chief arms control negotiator, are all hard liners. This may not make for final success, but it promotes initial harmony.
- The far right has not attacked the Theatre Nuclear Forces talks. Unlike Salt, it escaped the stamp of Dr Henry Kissinger, the bugbear of ultra-conservatives.

This unity of view does not extend to Salt. Mr Reagan clearly does not want to resume Salt talks — a process he believes has been bungled from Dr. Kissinger to Mr. Carter — until a decent interval has elapsed. But it is equally clear that successful Theatre Nuclear Forces negotiations could lead back to Salt.

- There is not much valid military distinction between the SS-20 medium-range missiles and the much bigger, ocean-spanning SS-185 and SS-195 which can reach the U.S., but can also be beamed on Europe. "You don't want to strain at the gnat and swallow the camel," says one U.S. expert.
- The Europeans want fewer missiles on their soil, but they do not want to see a gap open up between these and the longer range Salt systems.
- The American public could catch the disarmament bug if they saw Europeans sleeping easier with a lower level of weaponry on their doorstep, and if there is a bitter backlash to the Reagan defence spending increases as the social programme cuts begin to hurt.

Salt may still be pie-in-the-sky to Mr. Reagan. But he was sensitive to last year's campaign charge that he was a warmonger and, for the reasons given above, a start to the Theatre Nuclear Forces debate has forced the Administration to ponder Salt anew.

But before doing that, Mr. Reagan needs to decide precisely which strategic systems he wants to build before he can even contemplate negotiating any away.

He has two and a half major weapons decisions to make right now. The first is where to put the Mx. The second is how to live up to his pledge for a manned bomber as successor to the ageing B-52s. Like the Mx, this is due for a decision by early autumn, before any Theatre Nuclear Forces talks open. The horrendously expensive option being pushed by the Air Force is to revive the B-1 project, cancelled by Mr. Carter, and replace it in the late 1980s with the "stealth" aircraft capable of dodging Russian radar.

The half decision is, how to keep the Trident submarine programme going on time and at the right cost.

These are all issues on which Mr Reagan wants progress made before he sits down with President Leonid Brezhnev to talk seriously about arms control,

Short Brothers wins engine contract from Pratt & Whitney

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SHORT BROTHERS, the Belfast-based aircraft manufacturer regarded as one of the world's specialists in aircraft engine "podding"—putting nacelles on engines—has won a major contract from Pratt and Whitney of the U.S.

The contract is a breakthrough for the Belfast company. It is the first pod contract won from Pratt and Whitney, although Shorts builds pods for Rolls-Royce and other engine manufacturers.

Pratt and Whitney is developing for the Boeing 757 and other airliners a big-thrust engine called the PW-2037. It is of about 37,000 lbs thrust. The engine has been ordered by Delta and American Airlines in the U.S., for a total of 180 engines, with more if spares are included.

If Short Brothers is successful with the preliminary £1m test-pod contract, it could receive further substantial orders to produce engine pods for all future Pratt and Whitney PW-2037 engines, worth many millions of pounds.

Shorts announced at the Paris Air Show over the weekend it had won a second multi-million-pound order from the Canadian Government for the Blowpipe shoulder-launched anti-aircraft and anti-tank missile.

The first Canadian order for the missile was placed in 1973, and the missile is in service with the British Army and four other countries.

Shorts said yesterday it had an order for two of its Series 330 commuter airliners from Atlanta Express Airline Corporation of the U.S. This brings to 90 the number of 330s ordered or optioned by 27 customers in 12 countries.

South African orders

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICAN AIRWAYS has ordered two streched upper-deck Boeing 747s at a cost of R54m (£30.9m) each. The aircraft, to be used on SAA's European routes will seat 410 passengers. Delivery is scheduled for the second half of 1983.

The aircraft will be fitted with extra fuel tanks in the aft section of the forward cargo hold, enabling them to fly non-stop from Johannesburg to Europe.

SAA is banned from over-flying black African countries, and uses the Canary and Cape Verde Islands for refuelling stops.

It is taking no chances that these facilities will continue in future. The airline has begun equipping the 13 Boeing 747s in its fleet with Pratt and Whitney JT9D-7Q engines, enabling them to fly fully laden to Europe without a stop.

The two new aircraft will be fitted with the more powerful JT9D-7R4G2 engines.

● Boeing said it has sold 23 aircraft to nine different airlines in deals worth $500m (£261.8m), Reuter reports from Seattle.

Egypt in Mirage talks

BY ALAN MACKIE IN CAIRO

EGYPT intends buying the advanced Mirage 2000, the influential paper of the ruling national democratic party Mayo quotes Abdel-Halim Abu Ghazala, Egypt's Minister of Defence, as saying.

Gen. Abu Ghazala begins a two-week trip to France today, during which he will be holding talks with French Defence officials. He will be joined by Vice-President Hosni Mubarak, a former head of the Air Force on Wednesday.

Mr. Mubarak will meet President Mitterrand in Paris on Friday. Egypt hopes to be offered concessional financing to pay for the aircraft. The deal is clearly at a very early stage.

Moscow-Lisbon trade set to increase 50%

BY OUR LISBON STAFF

A SUDDEN improvement in relations between Portugal and the Soviet Union will lead to a 50 per cent increase in trade this year, Portuguese officials confirmed yesterday.

Trade talks just completed mark the reopening of official contacts between Lisbon and Moscow.

Relations have been at a low ebb for the past four years, making it impossible for the bilateral trade mission to meet until now. Under the conservative administration of the late Premier Francisco Sa Carneiro, the Soviets were isolated following their Afghanistan incursion.

Sr Walter Marques, Portugal's Secretary for Trade, pointed to a breakthrough in trade deals this weekend after intensive talks with his Soviet counterparts in Lisbon.

He said there will be a $24m (£12.5m) rise in exports to the Soviet Union this year. Last year's figure was $51m. Moscow will boost its exports from $145m to $200m. This includes the value of 120,000 tonnes of crude oil.

This increase in oil supplies contrasts with the freeze imposed by Moscow last year in retaliation for Portugal's hostility over Afghanistan and its unprecedented expulsion of four Soviet diplomats accused of meddling in domestic affairs.

The promise to sell more oil this year is taken here as a sign of Kremlin goodwill toward Francisco Pinto Balsemao, the new Social Democratic Premier.

Main Soviet sales, apart from oil, will be tractors and cotton. Lisbon will sell cork, textiles and port wine.

A separate deal has been concluded for the construction and repair of Soviet ships in Portuguese State-owned yards.

The Russians, according to Sr. Marques, have undertaken to repair some of their merchant ships in Portugal and Lisbon is hoping to construct trawlers and river vessels for the Soviets.

● Venezuela has agreed to boost its supplies of crude oil to Portugal by 25 per cent from next year. The Mexican State-owned oil company Pemex has re-signed a contract to ship 10,000 barrels of oil daily starting in August for the next 12 months.

These contracts, with the higher Soviet supplies and more oil from the Gulf States, will mean Portugal has filled the hole left in its energy supplies by the Iraq-Iran war.

GO-AHEAD FOR BRAKE PLANT

DBA, a French manufacturer of car parts, has been given the go-ahead for a project involving the construction of a factory in Portugal which will produce brake components for the French and Portuguese auto industries, AP-DJ reports from Paris. The plant, which will require an investment of FFr 40m (£3.5m), is to be at Abrantes, 140 kilometres north of Lisbon. It will have floor space of 5,000 sq metres and employ 220 when fully operational.

DBA said the plant would be managed by a newly-created subsidiary, DBA Portuguesa Sociedade de Equipamentos Automoveis LDA. Start-up has been scheduled for the second quarter next year.

Mr John Biffen, Trade Secretary

Nordic visit to help UK trade drive

By Paul Cheeseright, World Trade Editor

MR JOHN BIFFEN, the Trade Secretary, tomorrow starts a visit to Sweden, Norway and Finland, emphasising the importance attached by the Government to building up trade in the established markets of Western Europe.

The visit foreshadows a domestic campaign by the Exports to Europe Branch (EEB) at the Trade Department. This seeks to draw small and medium-size companies into the European market which accounts for 58 per cent of UK exports.

The campaign is the first major nationwide effort undertaken by EEB since it was formed in October 1980 with a brief to identify opportunities in product sectors and markets and bring them to the attention of industry.

EEB will seek to reach potential exporters with a book and a film, to be released later this month, and a series of symposiums.

The other side of the campaign is to ease the path of exporters in overseas markets. This is essentially Mr Biffen's object in visiting Scandinavia.

Sweden, Norway and Finland bought £2.9bn worth of British goods in 1980. The UK imported from them £3.7bn of goods.

● Mr. Biffen yesterday explored the possibilities for British companies on the Jordanian market with Mr. Walid Asfour, the Minister of Industry and Trade, who is in London on a five-day official visit.

Jordan is soon to publish a new Five-Year Plan, which, it is thought, could present sales prospects for British industrialists.

Thais ask Japan to advise on economic planning

BY DAVID DODWELL IN TOKYO

A TOP-LEVEL Japanese economic mission has just returned from Bangkok where it has been advising the Thai Government on economic and trade development under the fifth five-year plan which is due to be launched in October.

The mission underlines Japan's critical importance to the Thai economy, both as a leading trade partner and as the primary source concessional aid.

The 18-man mission, led by Dr. Saburo Okita, Government representative for external economic relations and a world authority on development issues, was acknowledged in Tokyo as a radical departure.

Dr. Okita noted on his return: "It's a rather new case for a developing government to ask us to discuss their overall development plan. But it may have become appropriate since bilateral aid from Japan now takes such a large share of the country's total resource flow."

Japan provides about 30 per cent of all Thailand's concessional aid (second only to the World Bank) and 70 per cent of its bilateral aid. In 1980 Japan made aid commitments worth Y70bn (£155m), making Thailand Japan's leading aid recipient.

Thailand took in $1.9bn of exports from Japan in 1980, an 11.8 per cent increase over the previous year. A chronic trade imbalance in Japan's favour has always been a source of irritation to Thailand.

The economic mission was first mooted in January when Prime Minister Zenko Suzuki visited Thailand during a tour of ASEAN member countries, at which time Japan pledged Y55bn in aid for a total of eight projects. Both governments agreed that Japan's aid would be used most effectively if Japanese officials were involved at an earlier stage in Thailand's economic policy planning.

Dr. Okita's team identified three main areas of Japanese co-operation: development of the eastern seaboard region, south of Bangkok (where Thailand's offshore gas pipeline reaches land); elimination of poverty, particularly in the rain-fed rice areas of the northeast; and agricultural and rural development.

While Japan still lags behind the U.S., West Germany and France as an aid donor, and provides just 0.32 per cent of its gross national product for aid, it has become by far the most important aid donor in Asia. It channelled $1.3bn, or 70 per cent of its overseas development aid to Asian countries in 1979. In addition it is almost alone among the aid-donating nations in its commitment to raise aid in the coming five years. Japan's aims to disperse aid worth $21.4bn in the five years to 1985, more than double the $10.7bn disbursed since 1976.

Soviet ports open to India

BY D. P. KUMAR IN NEW DELHI

THE SOVIET UNION opened its East Coast ports to Indian shipping. It has agreed to the shipment of 100,000 tonnes of exports from India to the East Coast ports this year, in view of the envisaged expansion of cargo traffic between the two countries. At present the cargo traffic is restricted to the Black Sea port of Odessa which has become congested.

Indian ships are now lifting about 15,000 tonnes of Soviet newsprint from the Far Eastern port of Oglegorsk.

Mr Veerendra Patil, the Union Shipping and Transport Minister, who has just returned from the Soviet Union after participating in the 25th anniversary celebrations of the Indo-Soviet shipping agreement, said that India's general cargo exports to the Soviet Union is at present 600,000 tonnes and imports are about 350,000 tonnes, excluding petroleum products. The cargo traffic was expected to go up to 2m tonnes in the next five years.

Mr. Patil, who signed a one-year protocol with the Soviet Union providing for an increase in cargo traffic between the two countries, said the Soviet side had agreed to reserve two berths for Indian ships at the Odessa port which had cut down their waiting period from between 30 to 60 days to three or four days. The Soviet Union had also promised to reserve one more berth

Boycott call against Israel

DAMASCUS—The Arab Boycott of Israel Commission has decided to act against any company backing Israel's project to build a canal from the Mediterranean to the Dead Sea.

Commissioner-General Dr Nourallah Nourallah said an extraordinary meeting of commissioners in Damascus has decided to boycott and blacklist foreign companies if they supported the Israeli scheme. He described the Israeli plan as a "flagrant violation of international rules and runs against the Arabs' fundamental interests."

Reuter

Bahrain causeway talks

BY CHARLES BATCHELOR IN AMSTERDAM

BALLAST NEDAM, the Dutch contractor, expects final negotiations over a proposed 25-kilometre causeway linking Bahrain to Saudi Arabia to be completed this week. It hopes the contract will be signed before the start of Ramadan on July 2.

A Ballast-led consortium has been selected to carry out the contract and the price of $559m (£292.7m) has been settled but further details of the causeway design have to be agreed, the company said. These details include the length of the spans and their configurations.

Ballast has been asked by the Saudi authorities to be available this week for the final round of talks. A decision on the causeway lies with the Saudi Council of Ministers as the Saudis are financing the project.

The causeway will almost certainly be built of concrete which is longer lasting and slightly cheaper than steel, Ballast said.

● Philips Data Systems has orders from eight banking groups for its PTS 6000 bank terminal system worth up to Fl 114.6m (£21.4m). The banks are Barclays, Yorkshire, the Hong Kong Bank Group, Bank of America, Krung Thai Bank of Bangkok, Foerenings-Banken of Sweden, Schweizerische Volksbank of Switzerland and Savings Bank of Savona, Italy.

The latest techniques in coal mining which can prevent that sinking feeling

Martin Dickson reports on how the NCB is learning to cope with subsidence problems

AS WORK statred yesterday on filling up the deep cracks that have apeared in the M1 motorway—some u to eight feet long and three feet dee—it looked increasingly likely that the National Coal Board would have to foot the bill.

Transport officials blamed the *cracks on subsidence* caused by coal mining and an NCB spokesman acknowledged there was a "good possibility" they had been caused by work at a nearby Nottinghamshire *colliery, Moorgreen.*

A demand for compensation, however, will raise no eyebrows at the NCB. Every year it handles about 14,000 such cases —and agrees to about 80 per cent of them.

Most claims are for relatively minor damage to homes but the total cost is substantial—some £25m last year alone.

The cause of subsidence is simple: when coal is removed from the earth it creates a space which is filled by the rock above collapsing. This movement eventually works its way to the surface, causing the land to sag. The result can be damage to buildings, roads or even land drainage.

The problem, however, is not as serious as might be imagined.

In a study of the Nottinghamshire, Derbyshire and Leicestershire coalfields, the NCB found there were 200,000 homes in an area where 455m tonnes of coal were mined over a 10-year period.

Of these homes, about 31 per cent were damaged—but the great majority only slightly. Two thousand, or 1 per cent, were appreciably damaged but only 250 seriously so.

There have been some major advances in techniques for controlling subsidence during the past few decades. By varying the width of the pillars of coal left unworked underground, the NCB *can now mine where once* it would have been impossible.

Beneath St. Warburgh's church in the Derbyshire village of Blackwell, for example, an old *private company had had to* leave pillars of 600,000 tonnes of coal in place to prevent damage. The NCB, with its new konwledge, was able to take 85 per cent of this while causing the church to subside only about nine feet. The damage was minor.

Similar techniques are allowing the board partially to extract a six-foot thick seam under Coventry with little damage even to large car component, machine tool and textile factories in the area.

Another method of limiting damage to ancient buildings is "trenching." This involves digging a trench around the building and filling it with compressible material such as boiler clinker. When subsidence occurs, up to 50 per cent of the compression is absorbed by the trench.

Despite these improved techniques, however, there are occasions when the NCB is forbidden to mine for fear of subsidence. In the new Selby, Yorkshire, coalfield currently under development, the Government has told the board that it must leave a large pillar of coal beneath 12th century Selby Abbey.

In some cases the coal is too valuable to leave in the ground. At Selby the main London to Edinburgh railway line is being diverted at a cost of some £70m so that it is not affected by subsidence. Leaving the railway where it was would have "sterilised" a pillar of coal 13 miles long and a mile wide, upsetting the entire economics of the £1bn project.

When subsidence does damage property, the NCB is required by the 1957 Coal Mining Subsidence Act either to make repairs itself or pay for someone else to do it.

The NCB is liable even if the mining which has caused the damage took place before nationalisation in 1947. There are occasions when subsidence occurs in pits dug during the last century, when lrederly... last century, when elderly underground timbers give way.

All but a very few claims are quickly settled by negotiation. Those that are not are normally referred to a land tribunal, although to save time and money the two sides sometimes accept a local arbitrator.

Retail trading eases in April

By David Marsh

THE VOLUME of spending in shops was lower in April than previously thought, but retail spending is holding up well compared with late last year, according to revised Government estimates issued yesterday.

The Department of Trade reported that the index of retail sales volume fell by 0.1 per cent, seasonally adjusted, compared with March to 111.4 (1976=100).

This compared with the Department's original estimate last month that spending rose 0.9 per cent in April. The revised figures appear to confirm retailers' reports that High Street spending slackened from the high levels of January and February when spending was boosted by exceptional New Year sales.

In the February to April period sales volume was 1.5 per cent higher than the previous three months. Sales by food and household goods retailers were virtually unchanged during the two three-month periods. But mixed retail businesses, clothing and footwear stores, and non-food outlets showed moderate increases between the two periods.

Separate Department of Trade figures published yesterday show that consumer credit and hire purchase business rose again in April. This supports evidence that consumer spending remains relatively buoyant.

Total credit granted by finance houses and other specialist companies, and the retail trade, rose to £657m, seasonally adjusted, in April from £626m in March. The biggest increase in April came from credits granted by retailers.

Total lending during February-April was 8 per cent higher than during the previous three months on a seasonally adjusted basis.

● Demand for consumer credit in May recovered from a sharp fall in the previous month, according to figures published yesterday by the United Association for the Protection of Trade, writes David Churchill.

The association, the largest credit information agency in the UK, says that applications for credit were 1 per cent lower in May compared to a year ago. In April, credit applications were about 9 per cent down on April last year.

There was a marked increase in the number of credit applications from the Northwest in the last two to threree weeks. Previously, demand in this area had been very low because of the recession.

Mr Brian Bailey, the association's deputy director general, said that "the May figures would indicate that consumer spending seems to be surprisingly buoyant at the moment."

All bets are off at Lloyd's

BY JOHN MOORE

INSURANCE policies which, in effect, are little more than a pure gamble have been outlawed at Lloyd's of London, the insurance market supported by a private membership.

The gambling policies—known as "tonners" at Lloyd's—were banned yesterday by Mr. Peter Green, Lloyd's chairman. In a letter to Lloyd's underwriters and insurance brokers, Mr. Green said "no Lloyd's underwriter will be allowed to place or write a tonner or similar policy relating to any class of business."

Tonner policies have attracted criticism for years at Lloyd's. Their use has often created abuse in the market. Recent investigations by Lloyd's officials have focused on tonner policies effected by certain brokers with underwriters.

Tonner policies have been widely used in the marine insurance market for the insurance of ships' hulls: and *in the aviation insurance market* for the insurance of aircraft.

They are designed to help underwriters make a guaranteed profit and help balance the rest of their business portfolios. Underwriters, who might not have a specific interest in an insurance line or aircraft fleet, can take a view on the trend of ships sinking at sea or the number of aircraft of a certain type crashing.

Depending on their view of trends, *they can offer other* underwriters insurance of losses of vessels or aircraft as a tonner policy.

Underwriters, who may not have a particular aircraft or shipping fleet in mind when they seek to arrange a tonner policy, can insure themselves for a total *loss on a specified class of business or weight, such as jumbo* jet or ships with a specified weight or class.

They pay a premium for this policy to the other underwriter in Lloyd's offering the tonner policy. If a tanker sinks or a jumbo jet crashes, the underwriters who have arranged a tonner can collect a cash sum.

Because the assured has no insurable interest such a policy is regarded in law as a gaming or wagering contract and therefore unenforceable in the courts. But Lloyd's has usually settled the claims by gentlemen's agreement.

Sir Henry Fisher, a former High Court judge who reviewed Lloyd's self regulatory systems, said in his report: "It does harm to the reputation of Lloyd's if pure gambling policies are permitted." He recommended that rules should be introduced *which would cause them to be* banned.

The practice has often been publicly condemned because it *has been described as a straight* bet on loss of life. In the event of a major air disaster some underwriters may make a clear profit from their claims on tonner policies even if they *have not insured the airline.*

They have only taken a view on the type of aircraft or ships which are likely to crash or sink in return for a cash sum in the event of a loss.

The move marks another attempt by Lloyd's to tighten up its self regulatory systems and curb some of the abuses which have grown up in the market in the last few years. Lloyd's is attempting to improve as much of its internal systems as it can while it waits for its new legislation which is needed to stamp out further abuses and improve Lloyd's self regulatory mechanisms.

Spending on package holidays expected to reach record £1.4bn

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SPENDING BY Britains on holidays abroad continues to rise sharply despite the recession and the high level of unemployment.

Figures from the Civil Aviation Authority show that in 1981 spending on package holidays abroad is expected to reach a record of nearly £1.45bn, a rise of 21 per cent on the £1.2bn estimated to have been spent on air holidays last year.

This in turn showed a big rise *against the £813m spent in* 1979.

The Civil Aviation Authority said it had authorised air-travel holiday organisers to offer more than 6.7m air holidays this year, a rise of 8 per cent over the number offered last year.

The figures are based on the tour organisers' original pre-season estimates of what they can sell, and the likely financial results. In practice, however, the net results for the season, which has only just begun, may be substantially different.

At present there is undoubtedly an excess of capacity *in the market, with too many* seats chasing too few holidaymakers. Some of the 560 holders of air travel organisers' licences are offering special discounts to attract customers.

By the end of the summer, many people in the travel trade believe, the original estimates will prove very wide of the volume of business done.

A more accurate indication is in the Civil Aviation Authority figures for profits from the top 30 travel organisers, which show a distinctly declining trend against turnover.

The top 30 made a record profit of £43.8m for 1980, or 17 per cent more than in 1979, on a total turnover up 31 per cent at £906.9m.

This profit was only about 4.8 per cent of turnover, a decline on the 5.4 per cent in 1979, in turn down on the 6.5 per cent profit on turnover in 1978.

This trend is indicative of the pressures on margins being felt *in the travel business as a result* of increasing competition.

Of the top 30 travel organisers seven incurred losses in 1980, about £3.4m, compared with losses of £2.6m by only three organisers in 1979, and £700,000 by two organisers in 1978.

Ford may recall up to 310,000 Cortinas

THERE IS almost certain to be a recall of some Ford Cortinas in the UK and other parts of Europe, where the car is called the Taunus, after an investigation of 12 cases of fire under the bonnet.

The company says the maximum vehicles which could be involved is 310,000, including 180,000 in Britain.

The cars affected are the 1.3 and 1.6 litre Cortina/Taunus *models delivered during the* past 18 months. The 1.6 litre Cortina is Britain's best-selling car. The 2-litre models are not affected.

The fires are believed to be connected with a new air filter system. Those which have been reported started after the cars came to rest after a long, high-speed run.

BRS issues hauliers' credit card

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

A CREDIT CARD for road haulage operators was launched yesterday by British Road Services, part of the state-owned National Freight Company, in partnership with Cardholder Services, a subsidiary of Diners Club.

BRS hopes to boost its revenue by up to £7.5m over 18 months by giving lorry drivers access to a wide range of services.

Lorry drivers and haulage companies will be able to use the Transcard from next Monday for vehicle maintenance, breakdown recovery, vehicle rental, accessories and fuel without immediate cash outlay.

The card is available free to *any coach or truck operator* passed for credit by Cardholder Services, the company that will take 100 per cent of the credit risk. It can be used for both BRS and other services. Accounts must be settled *in full* each month.

BRS said yesterday that fewer than 1 per cent of the 180,000 to 200,000 lorry drivers in Britain used company credit cards, but that 60 per cent of a sample of hauliers questioned were in favour of the type of service offered by Transcard.

The card will eventually provide a full transport credit service, including accommodation, meals and other services, *when BRS has completed* arrangements with hoteliers and restaurant owners.

The typical lorry driver incurs expenses of up to £7,500 a year.

Vehicle maintenance, spare parts, tyres and the use of emergency vehicles cost about £1,500 a year, accommodation could cost up to £1,000 a year and fuel £5,000 a year, with 10 per cent bought away from company garages.

Other transport cards already exist, including those for drivers of DAF and Volvo trucks. Both of these schemes are run by the manufacturers but they are not fully comprehensive, BRS said.

Coal terminal opens

A MERSEYSIDE shipping terminal to handle more than 1m tonnes of coal a year for export to Northern Ireland and the Irish Republic was opened at Garston yesterday.

Garston is one of a number of old coal ports which are to be modernised to help the National Coal Board treble exports to 15m tonnes by 1985.

Developed jointly by the Britis Transport Docks Board and the NCB, the new terminal cost more than £1.25m and will safeguard 250 jobs on Merseyside. Additional investment in railways, shipping and pits brings the total cost to about £10m.

It will handle shipments of *house coal from pits in the Midlands,* Nottinghamshire, Lancashire and Yorkshire to Ireland and the Isle of Man. It will double the port's previous throughput and should play a significant part in keeping down energy costs in Ireland according to the NCB.

New magazine closes

PICTURE MIRROR, a new weekly magazine which has just completed an eight-week test launch in the Midlands, is to be shelved, its publishers announced yesterday.

The magazine, launched in April with a cover price of 25p, was published by Mirror Books, a subsidiary of Mirror Group Newspapers.

Picture Mirror had an initial print run of about 200,000 copies a week but sales never exceeded about 90,000. It was marketed separately from the Daily Mirror, the aim being for it to establish its own market.

A spokesman for the group said a more detailed evaluation of the marketing would determine whether the publication could prove viable in a different format.

Windscale settlement

BRITISH Nuclear Fuels is to pay £95,000 in an out-of-court settlement after two Windscale workers died and a third suffered ill-health from alleged radiation.

Although agreeing to the settlement, the company continues to deny liability, saying experts are divided over whether radiation at the Windscale works in Cumbria was to blame.

BNFL has also agreed to pay legal costs.

Iran discussed buying Burmah, court told

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

BURMAH OIL always knew that any proposals by the Bank of England to rescue the company from its 1974 financial crisis would have to be approved by the Government, one of the company's financial advisers agreed in the High Court yesterday.

Mr Robin Broadley, a managing director of Baring Brothers, said that in the negotiations the Bank referred to the Government as its partner.

Cross-examined by Mr Donald Rattee, QC, for the Bank, Mr Broadley agreed that Burmah had never been given any assurance that, if it sold its 20 per cent holding in BP to the Bank, it would share in the profits of any resale.

The profit-sharing idea had been *raised by Sir Jasper* Hollom, deputy governor of the Bank but, Mr Broadley agreed, there had been no more than a hope, as far as Burmah was concerned, that such an arrangement would be made.

Mr Broadley was the first witness for Burmah in its claim to have the share sale set aside on the ground that the Bank took advantage of Burmah's weak bargaining position to obtain the shares at a gross undervalue.

The Bank bought the shares for £179m in January 1975 as part of the rescue package. Their current market valuation is nearly £1.2bn.

The Bank contends that the price was fair.

Earlier in his evidence, Mr Broadley told Mr Leonard Hoffman, QC, for Burmah, that *on the eve of the crisis,* Burmah executives had not seemed to share their financial advisers' alarm.

That alarm had, however, been shared by the Bank, which *said it would inform the Government.*

At a meeting on December 27 1974 Mr. Broadley told Sir Jasper Hollom that Burmah intended to call a meeting of American banks to which the company was likely to be in default on loan repayments.

In fact, Mr Broadley told the court, Burmah had already decided not to call such a meeting. "We were trying to find out what had happened on the Government side."

Sir Jasper had suggested there should be no meetings with the lender banks until Burmah had heard the Government's proposals.

Mr Broadley said that at one stage it had been hoped to sell the BP shares at a premium price. Burmah had not achieved any commercial advantage with BP through having that block holding, but someone else might, he said.

Mr Broadley said that on about January 21, 1975, he had learned there had been talks going on since December about the possibility of the Iranian Government acquiring Burmah or the BP shares.

The Bank had been asked if there were any purpose in those talks going on. It had said there was not because, Mr Broadley thought, it regarded it as too late to change course.

The hearing continues today.

Private housebuilding boost appears shortlived

BY WILLIAM COCHRANE

THE STRONG spring recovery in private housing starts may have flattened out, a report from the House-Builders' Federation said yesterday.

Overall lack of confidence among buyers was the most frequently quoted influence on demand, said the federation in its quarterly state of trade inquiry.

Next came the delay in sales caused by the mortgage problems of other buyers, followed by those of buyers unable to afford mortgage improvements *and those unable to find the* building society deposit.

The inquiry, conducted in the last two weeks of May, confirms the federation's earlier view that private housebuilding this year is likely to show an improvement over last year's low levels. But nearly one half of the 195 companies in the survey report no quarterly change in potential demand.

"It is not clear," says the federation, "whether this stabilisation in demand ... represents a pause before further recovery, or indicates that demand needs a further stimulus to avoid a decline later in the year."

Reports that mortgage queues are lengthening are confirmed in *the survey, the federation adds.* A quarter of the participants report queues lengthening, against 4 per cent in February; only 17 report an improvement, against 56 per cent in February.

Fresh fall forecast in chemicals output

By Sue Cameron, Chemicals Correspondent

BRITAIN'S chemical output will be 3.5 per cent lower this year, the Chemical Industries Association predicted in its latest economic bulletin.

The association said production fell between 8 per cent and 9 per cent last year in the "worst slump since the 1930s." But economic recovery was being pushed further and further into the future, and another drop in output remained a "reasonable forecast" for 1981.

It agreed that a number of companies such as ICI had improved their efficiency this year. Destocking by customers had ended and domestic prices were rising — the price index for chemicals in April was 6.5 per cent higher than the same month last year.

But the association stressed that there was little real improvement in domestic demand and prospects for an upturn in British manufacturing industry generally, the chemical producers' customers, were "giving cause for concern."

The pound had remained comparatively firm against Continental currencies, particularly the franc. This meant competitive *pressure on British* producers in both the domestic and Continental markets had been maintained. Overseas trade prospects for the rest of 1981, particularly in Europe, were "not very encouraging."

Weakening of sterling against the dollar had brought "a welcome improvement in margins for exports invoiced in dollars," but this had restored margins to previous levels.

The association voiced widespread fears about the impact of the fall of sterling on the price of naphtha, one of the most important of the petrochemical sector's oil-based raw materials. The European contract price is between $356 and $359 a tonne, but in the past few weeks, prices on the Rotterdam spot market have fallen below $300 because of the world glut of oil products.

Industry experts expect that the naphtha contract price for the July to September quarter will settle between $320 and $330 a tonne, prices normally ... of sterling and the difficulty of securing further ...

This should mean lower raw *material costs, but the big* chemical companies fear that the drop in the dollar price will be more than offset by the weakening of sterling and the difficulty of securing further.

Shell, Mobil oil product increase

BY SUE CAMERON,

the lead set by Esso last week and raised the prices of nearly all their oil products except petrol.

The move is a desperate effort to offset rising losses on British refining caused by the glut of oil on world markets, movements in the exchange rate and weak demand. Shell yesterday said it was losing £3m a week on its refining operations.

The group said that even if the price of North Sea oil was cut by $3 from $39.25 a barrel, Shell would still be losing money "hand over fist." It needed to raise the prices of all its oil products by 5p a gallon *to return to break-even.*

But the Shell rises fell well short of this. The biggest increase was in gas oil, used chiefly to make heating oil, which rose by 3.81p a gallon. The company put up commercial derv by 3.18p a gallon, burning oil by 3.41p, light fuel oil by 2.05p, medium fuel oil by 2.73p and heavy fuel oil by 3.41p, equal to £7.72 a tonne. *Mobil put its heavy fuel oil* price up by the same amount and its other rises were similar.

But both companies, like Esso and Texaco, have avoided raising the price of petrol. They say competition at the pumps is still fierce in many areas.

At the end of March the big petrol companies put up prices by about 4p a gallon and many later cut the price support they were offering to dealers. But the full price rises failed to "stick" in many areas and most companies were forced to restore the dealer support.

Toy sales since Christmas 'encouraging'

By Our Consumer Affairs Correspondent

SIGNS of a recovery in demand for toys, which have UK sales of more than £700m a year, are revealed in a marketing survey by Trident Television.

The survey, covering 306 adults in the Tyne Tees television area, found that just over a third had bought toys in the last three months. This was an "encouraging result *for the slack after-Christmas* period," says the survey.

Toy buyers in the survey were mainly younger maried women from the middle to upper-class social groups. Most toys and games were bought for the purchaser's own children, but 8 per cent of the survey group bought toys for themselves or other adults.

Government expected to announce pit aid

By Martin Dickson, Energy Correspondent

THE GOVERNMENT will announce a package of aid for the coal industry on June 16. It will be presented to the National Coal Board and union leaders at a tripartite meeting with energy ministers.

In February the Government committed itself to further assistance for the National Coal Board to avoid a threatened miners' strike over pit closures. It has taken nearly four months of discussions with the industry for the Department of Energy to produce firm proposals.

At a tripartite meeting in March the NCB told the Government the two basic purposes of the aid package—to help keep open loss-making pits and match the price of coal imports—would cost £100m to £200m in 1981-82. Mr Howell indicated the Government would be willing to meet those figures.

Subsequently, the NCB submitted further claims for aid which it estimated would boost the total to about £500m. New elements included coal stocking grants and increased relief on interest payments.

It seems likely the Government's package will reflect the £100m-£200m agreement rather than the NCB's later demands.

This would probably raise the NCB's 1981-82 cash limit—the total amount it receives from the Government in loans and grants—from the £886m announced in March to between £1bn and £1.1bn. At one time the NCB was seeking as much as £1.4bn.

The Government is clearly anxious to announce its measures before the National Union of Mineworkers' annual conference in early July. There has been mounting NUM concern over the time it has taken to formulate a package.

However, the package could still come in for NUM criticism as it seems likely to fall some way short of union demands.

Both the NCB and the unions are also becoming concerned at the long time it is taking the Government to announce whether it will allow coal mining in North East Leicestershire's Vale of Belvoir area.

The Government has been considering the issue for more than six months since receiving an inspector's report on last year's Belvoir public planning inquiry.

The extra Government support for the NCB stems from the severe effects of the recession on the board's sales, which were 7.3m tonnes less in 1980-81 than in the previous year.

Commercial vehicle sales in May lowest since 1959

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

REGISTRATIONS of new commercial vehicles last month were the lowest for any May since 1959.

At 17,774 they were 29.23 per cent down on May last year when sales reached 25,114, says the Society of Motor Manufacturers and Traders.

Commercial vehicle registrations of 92,327 in the first five months of this year are nearly 29 per cent below the 129,713 for the same period of last year.

Imports are continuing to take a larger share, mainly because of the success the Japanese are having with very small vans and pick-up trucks.

In May importers took 29.56 per cent of the market against 23.54 per cent last year, while for the five months their share was just more than 29 per cent against 23.64 per cent.

The recession continues to hit the heavy end of the industry hardest and in May registrations of trucks of more than 3.5 tons fell by 42 per cent from 6,175 to 3,562. For the five months the drop was more than 38 per cent from 30,960 to 19,076.

There will have to be a considerable improvement if the society's forecast that heavy truck sales this year will fall 21 per cent from the 1980 level to 45,000 is not to prove over-optimistic.

The society has also predicted a slow recovery next year for heavies to 52,000.

Light commercial vehicle registrations for 1981 are forecast to drop 20 per cent to 165,000 before bouncing back by 12 per cent to 185,000 next year.

The society splits the light end of the commercial vehicle market into three segments.

After a drop from 6,568 to 4,579 in May, sales of car-derived vans are 25.5 per cent down over the five months, from 36,112 to 26,896.

Purpose-built van registrations fell from 10,778 to 8,432 in May and by nearly 29 per cent for the five months, from 54,889 to 39,109.

Four-wheel-drive light vehicles suffered their first setback this year with sales in May down from 923 to 752 but over five months they were marginally ahead from 4,721 to 4,872.

Bus and coach sales are also depressed. The May total was down from 670 to 449 while the five-month figures fell from 3,031 to 2,374.

So far this year only five manufacturers have increased unit sales above those for the January-May period in 1980. Four of them are Japanese—Daihatsu, Mazda, Mitsubishi and Subaru—the other is Fiat's car division which has benefited from having its Fiorino car-derived van available this year.

Controls on purchasing 'slack'

BY JAMES McDONALD

THE PURCHASING departments of companies and public authorities in the UK spend more than £200bn a year on goods and services but a third of the organisations involved do not know the cost of running these departments, according to a survey by the Institute of Purchasing and Supply and PA Management Consultants.

The survey—which analysed information from more than 2,000 purchasing managers in 27 industrial sectors—says control of purchasing department costs, particularly in smaller companies, appears to rely more on subjective judgment than on the identification and reporting of costs.

British subsidiaries of U.S. companies seem to take their purchasing more seriously than their UK competitors. "They are much more likely to define policy, identify the operating costs and assess the performance of purchasing departments."

The average cost of running a purchasing department is just over 1 per cent of the "total spend" by an organisation. The survey suggests that this figure, although not strictly comparable, can be related to an estimate in 1979 that the average cost of running a sales force was 7.1 per cent of sales turnover.

Salesmen know the product they sell but many are not well briefed on the market in which they are trying to sell, according to the survey. Purchasing managers, asked about the salesmen calling on them, in general ranked the salesmen's product knowledge highly.

"However, salesmen failed in their knowledge of the buyer's industry—42 per cent of all purchasing managers assessed this area as inadequate or very poor."

The survey's median figures for all organisations produce a 44-year-old head of purchasing with 13 years experience in the function and a salary of £8,250. The lowest median salaries are paid in the engineering industry and the highest in the public services.

"Purchasing Practice Today," Institute of Purchasing and Supply, High Street, Ascot, Berkshire, £45.

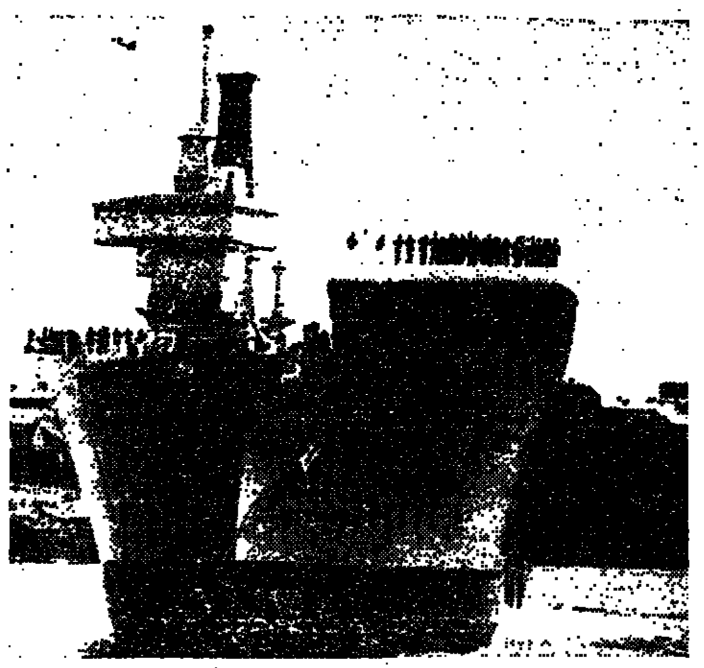
Shipbuilders fight to weather the recession

BY RHYS DAVID

THE MAIN doubt hanging over the new £220m anti-submarine warfare cruiser Ark Royal was removed shortly after she had run down the slipway on the Tyne last week when Mr John Nott, the Secretary for Defence, confirmed that she would be fitted out and not, as previously feared, mothballed to cut defence costs.

In another boost to shipbuilding in the North-east, the Sunderland yard Austin and Pickersgill announced at the weekend that it had won an order worth more than £20m to build two B35 design, 35,000-tonne dwt bulk carriers for C. Y. Tung group of Hong Kong.

The two developments have lifted some of the fears about the future of the industry in the region, where employment in shipbuilding has already been halved to 25,000 since nationalisation four years ago.



The Ark Royal launched last week.

Depressed

It is, nevertheless, still a matter of concern in the North-east that the Swan Hunter berth from which Ark Royal was launched by the Queen Mother has no new vessel waiting to be started. The yard is already fitting out Ark Royal's sister ship Illustrious, which was launched in 1978, and is also building a stretched Type 42 destroyer for launch next year.

On the merchant side, too, despite the new orders, the overall picture is still depressed. Although the five yards retained on the Tyne, Wear and Tees by British Shipbuilders all have work, most of it goes through only until the middle of next year.

Demand for new ships worldwide is still at a very low level. The question is beginning to be asked whether all five yards can survive in their present size and form.

In the first quarter of 1981 the UK merchant ship order book for BS stood at 39 ships of 603,363 gross tonnes valued at £478m. This compared with 60 ships of 567,753 gross tonnes valued at £547m a year earlier.

At Swan Hunter—a composite merchant and warship group with three building yards and one outfitting—the main non-naval work in hand is a 109,000 tonnes dwt oil tanker for BP and a 29,000 tonnes dwt products tanker for Ingram Tankships, both well advanced.

Also on the Tyne, the **Cleland** yard, specialising in smaller coastal and similar vessels, last week announced an order for an offshore ship estimated at £2.5m for a Lowestoft company. But this does not take its thin order book far beyond the end of 1981.

Possibly the healthiest position is at **Austin and Pickersgill** down the coast at Sunderland. Its latest success follows another £20m order in January for four of its SD14 design standard 15,000 tonnes dwt general cargo vessels from Worldwide Shipping, also of Hong Konk, for delivery in the first half of next year. The new deal with C. Y. Tung will provide work for the yard until the end of 1982.

Also on the Wear, **Sunderland Shipbuilders** is building three 31,000-tonne deadweight bulk carrier for Nosira Shipping, the UK subsidiary of an American line and one for Denholm Line Steamers of the UK. The only other major job under way at Sunderland Shipbuilders, where large sums have been spent developing covered facilities at the Pallion yard, is an order for two 75,000-tonne Panamax design bulk carriers for a UK line.

At **Smiths Dock** on the Tees, the main work is on two refrigerated carriers for the Geest Line with very little in prospect beyond the end of this year.

On the ship repair side, further reorganisation has recently had to be announced to cope with the reduction in business which has followed the recession. The five ship repair yards in **Tyne Shiprepair**, the BS grouping in the north-east, will all be retained but work is being concentrated at three of them.

In engine building, there are plans to concentrate production by **Clark Hawthorn** at Wallsend on the Tyne. It is the north-east's sole builder following the end of manufacturing at Doxford's in Sunderland. This plan now depends, however, on money being available.

The region's hopes to win enough business to tide it over until the expected upturn in orders and prices towards the end of next year are based at least in part on its greatly improved performance level over recent years.

Flexible

Much better labour relations and more flexible working practices—and a recognition that survival is at stake—have resulted in the delivery of vessels early rather than late. Sunderland Shipbuilders recently supplied a 31,000-tonne bulk carrier to a Hong Kong customer 11 weeks early. Similar early deliveries have been registered by Austin and Pickersgill, Swan Hunter, and Cleland.

For shipbuilding in the north-east, therefore, it is once again a race against time. If it can win enough orders to carry it through the next 18 months, there is the possibility of a stronger ordering pattern emerging as shippers re-equip to meet the expected revival in world trade. The alternative is further loss of capacity and jobs in a region already at the top of the British unemployment table.

British Caledonian offers flights and hotel deal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH Caledonian Airways is offering Scottish businessmen a cheap package deal on flights from Edinburgh and Glasgow to Gatwick, with hotel accommodation in London included, for no more than the cost of the return air fare.

For £112 return, the cost of a ticket between Scotland and Gatwick, the businessman will also get a night's accommodation in a Trusthouse Forte hotel in London, with first-class rail travel from Gatwick to Victoria and back.

The THF hotels involved are the Strand Palace, Kensington Close, and Park Court Hotels. For a £5 surcharge, the business traveller can get accommodation in the Cavendish, and in the Westbury for £10 extra.

The deal is available from June 17 until further notice, and covers flights on all British Caledonian services between Scotland and Gatwick. The deal only covers trips starting in Scotland.

UK NEWS – PARLIAMENT and POLITICS

Ministers stand firm on 7% for Civil Service

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

MINISTERS MADE it clear in the Lords and Commons yesterday that the Government is determined not to go beyond the 7 per cent wage offer to the Civil Service, despite threats by the unions to step up their industrial action in pursuit of their 15 per cent claim.

Mr Barney Hayhoe, Minister of State for the Civil Service, used the terms "vindictive" and "really disgraceful" to describe the civil servants' action and said that their union leaders had overplayed their case.

But he denied that there was any intention by the Government to punish civil servants who went on strike.

"Vindictiveness, so far as this dispute is concerned, must lie with the Civil Service unions."

"The action they are taking is vindictive towards the community as a whole. I do again appeal to them to call it off.

"All I can do is reiterate that we are going to stand firm on the 6 per cent cash limit. It will not be breached this year."

He was cautious, however, when Mr Alan Williams, Labour spokesman, asked him to categorically deny weekend press reports that civil servants who go on strike may be left out of the Honours List, and could find their promotion prospects and annual leave affected.

Hayhoe: said the union leaders had overplayed their case.

Mr Hayhoe told him: "Press speculation seemed to say that the Government is determined to punish the Civil Service. Of course the Government is not. We recognise that the vast majority of civil servants are continuing to give loyal service to their departments."

In other exchanges, the *Minister indicated that the* inflation proof Civil Service pension and the high level of job security would be two factors to be taken into account when new methods of negotiating pay are discussed next year.

In the Lords, there was a hint that the 7 per cent offer could not remain on the table indefinitely if the unions step up their action.

The Conservative peer Lord Boyd-Carpenter, a former Treasury Minister, said the public would be outraged if civil servants deliberately damaged the interests of the old and unemployed. He said that if such action took place, people would begin to wonder *how long the 7 per cent offer* could remain open.

Lord Soames, Minister with day-to-day responsibility for the Civil Service, replied that the Government would consider how long the 7 per cent could *remain on offer "when con*sidering what action the unions take from now on."

In the Commons, Mr Williams wanted to know what contingency arrangements the Government had made to protect the unemployed, and those on social security benefits.

"Isn't it now clear that the *Government completely miscal*culated the mood and the anger within the Civil Service?" he asked.

Williams: claimed Ministers had mishandled build up to escalation

Mr Williams claimed that acting on the Prime Minister's instructions, Ministers had mishandled the build up to the present escalation by winding up the pay research unit and rejecting arbitration.

He asked if the 7 per cent *offer—based on cash limits of* 6 per cent—was the absolute maximum that would be offered, and pointed out that the Government always underspends by 3 per cent within the cash limits.

Mr Williams said that reports were suggesting that the Prime Minister "with her well known vindictiveness" intended to interfere with the motions and leave arrangements for civil servants involved in the dispute. It would further demoralise them if in three years' time they were still being punished for having stood up against the Prime Minister.

He asked Mr Hayhoe to deny *the "extraordinary story" that* in a "bout of pettiness and silliness" Mrs Thatcher intends to use the Honours List to punish strikers.

Mr Williams emphasised that this was a matter for the Royal *Prerogative and not for the* Prime Minister. It could well embroil the Royal Family in an industrial dispute.

Mr Hayhoe told him that there were contingency arrangements to protect people drawing benefits. But the best protection was for the unions to call off their action in this area.

Howell rules out Government intervention on oil price

BY IVOR OWEN

THE BRITISH National Oil Corporation must be allowed to exercise its commercial judgment in deciding the extent of the cut to be made in the price of North Sea oil, Mr. David Howell, Energy Secretary, told the Commons yesterday.

He ruled out direct Government intervention to determine the price after Mr. Trevor Skeet, MP for Bedford and the chairman of the Conservative backbench energy committee, criticised the $2-a-barrel cut, which has been suggested by BNOC, as inadequate.

"*It should* come down by twice that amount to give advantage to industry," Mr. Skeet insisted.

Mr. Howell replied that the price of North Sea crude was a matter for the oil companies and BNOC—which had already indicated its intention to open negotiations for contracts for the third quarter at $2 below the previous quarter.

BONC must be allowed to *exercise its commercial judg*ment and carry it through, he said.

The Energy Secretary reaffirmed the Government's determination that Britain's energy prices should be as competitive as possible and promised that within the limits of economic pricing it would continue its efforts to ensure that this objective was achieved.

He stressed: "But our energy prices cannot be based on other countries' energy supply costs. Nor can they be varied with *movements in the exchange* rate. They must reflect market conditions in the UK."

Dealing with the cost of gas to industry, Mr Howell maintained that the present price structure was a valid one both for firm and interruptable supplies alike.

Big increases in continental gas prices were coming along, he said, and there was a real prospect of British Gas holding its contract renewal price at *levels where disparities with the continent would close.*

When answering a question from Mr Merlyn Rees, Labour's shadow energy minister, Mr Howell confirmed that the recent report by the National Economic Development Council on energy prices would be updated in the autumn to take account of action taken in the Budget, exchange rates changes and other developments.

State chairmen's pledge on funds

By John Elliott

NATIONALISED Industries are willing to pledge the extra *funds provided by the Govern*ment for investment programmes would not be used to pay for high wage increases or to solve other labour relations problems.

This was stated by leading *chairmen of nationalised* industries yesterday when they argued during a hearing of the Commons Treasury Select Committee that Governmnt controls over their investment programme should be relaxed.

Sir Peter Parker, chairman of British Rail, added that investment controls, not trade union opposition, were preventing the spread of one-man trains.

There was "a battle afoot" *about one-man operation* that would emerge during the course of the year. He inferred that British Rail would fight the unions on the issue once it had sufficient investment.

The issue of sepating wage *and investment programmes* emerged when the chairman argued that the Government should distinguish between their industries current and revenue expenditures when operating controls.

British Telecom *recently had* to persuade the Treasury that it would not use increased investment funds to pay for wage increases before £200m was added to its external financing limit.

Some industry chairmen insist that it would be technically impossible, within the external financing limit system, to switch money from investment to wages. But othrs, including British Rail, appear to believe it is possible and that it has been done.

Asked about this yesterday, Sir Robert Marshall, chairman of the National Water Council and of the Nationalised Indus*tries' Chairmen's group, said he* "hardly doubted" that an industry would refuse to accept the "discipline" of pledging to use funds for investment only.

Mr Peter Shelbourne, chairman of the British National Oil Corporation, said he could "prove every penny intended is used for capital projects."

Sir Peter Parker agreed it was important to ensure that money was "allocated to investment and not lost in the shifting sands of negotiations."

Yesterday's hearing was the first of a series to be conducted by the Treasury Committee on nationalised industry financing. Although a final decision has yet to be made, it is likely that the committee will produce an interim report on the current controversy over investment programmes next month. It would then continue with a more general inquiry.

Healey makes appeal to 'ordinary voters' to stem the Left's tide

BY CHRISTIAN TYLER, LABOUR EDITOR

THE FAILURE of the moderate Labour *MP* Mr Eric *Ogden* to secure reselection in his Liverpool constituency of West Derby was held up yesterday by Mr Denis Healey, the party's deputy leader, as an example of the fate in store for the party if Mr *Tony* Benn *succeeds in* wresting the deputy leadership from him.

Addressing a fringe meeting organised by the Solidarity group of MPs at the General and Municipal Workers Union Conference in Brighton, Mr Healey appealed to the "ordinary men and women" of the party to stem the Left's tide.

Under the glare of the TV cameras, Mr Healey was exposed to persistent and hostile questioning from Labour Left-wingers—most of them from Liverpool—which he fended off with apparent ease but with less than his usual rumbustious *style*.

What had been intended as a rallying cry for traditional Labour values turned into an inquest on the last Labour Government's performance under Mr Healey's chancellor*ship*.

Mr Benn may be confined to hospital and unable to make his own appearance on the conference fringe this week, but his supporters—some of them from the Militant Tendency—were there to do battle on his behalf.

The deputy leader directed his speech to what he called the "industrial backbone" of the Labour movement, suggesting that their representatives were being forced out by "white collar, intellectual professionals with clean hands." This description seemed to be aimed as much at Mr Benn himself as at the victors of the two constituency reselection meetings where Mr Benn's supporters have displaced the incumbent.

Mr Healey accused Left-wing groups in the party of trying *to "dissolve the tissues and* muscles that hold our party together so that they can take it over for objectives that have nothing to do with parliamentary democracy."

They were trying to make robots of MPs, programming them to ignore the views of ordinary Labour voters. That was a recipe for disaster at the next general election, he said.

Mr Healey accused Mr Benn —the champion of party conference—of inconsistency in his own interpretation of party conference decisions. He quoted Mr Benn's recipe for solving the Ulster problem as an instance where conference policy was being ignored in preference to a personal solution

Furthermore, he said, Mr Benn was implying that anybody, including the party leader, should automatically be distrusted once he had attained power. This was a "repugnant" view of democracy.

Mr Healey said that Mr Ogden, a 57-year-old former miner, had been shouldered out by a polytechnic lecturer who described himself as not wholly Marxist.

This characterisation drew further protests from the Liverpool contingent, one of whom complained that Mr Healey was casting a slur on candidates who were just as working class and just as good socialists as those who had been ousted.

Labour MP wins respite in fight to keep his seat

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

JOHN SEVER yesterday won a temporary respite in his fight to remain Labour MP for Birmingham Ladywood.

Following complaints from organisations affiliated to the Ladywood party, Labour's national organisation sub-committee decided not to endorse the nomination of Mr Albert Bere, a Left-wing candidate who beat Mr Sever at the selection conference last month.

Mr Sever was the first casualty of Labour's new reselection procedures.

The organisation committee decided to postpone a decision until a meeting of the full National Executive Committee later this month. In the mean*time, the party's national agent* is to investigate the complaints.

Mr Sever was the first Labour MP to fail to ge re-selected and his case is therefore inevitably regarded as something of a test for the new procedures which the Left fought for so long to get adopted by the party.

Immediately after the selection conference, some members of the local party began complaining of the tactics used by the Left to get their candidate selected.

Complaints were also received from ASTMS, and another affiliated organisation, which said they had not been able to put in nominations.

Evans says he will stand again

By Robin Reeves

MR GWYNFOR EVANS, *the* veteran president of the Welsh national party Plaid Cymru, has decided to stand again at the next general election.

Following an appeal from his constituency committee, Mr *Evans*, who is 68, *said he* is again prepared to contest Carmarthen, the west Wales seat he has won twice and lost three times since 1966—when he achieved Plaid's first parliamentary victory.

In the 1979 general election, Mr Evans lost by nearly 2,000 votes to Labour MP Dr Roger Thomas and at the time announced he did not intend standing again.

He said yesterday he had changed his mind in view of the unanimous appeal from the constituency committee. They said they would not consider any other candidate.

Mr Evans' decision to seek *re-election has come against* a background of mounting ideological disputes in the party not dissimilar to those currently wracking the Labour Party. They surfaced starkly at the weekend in separate speeches by *Plaid Cymru's two West*minster MPs Dafydd Elis' Thomas and Dafydd Wigley.

Mr Elis Thomas, who is also the party's vice-president, told Plaid's national rally in Merthyr Tydfil that their future role was *to break the stranglehold of the* Labour Party over the working class in Wales

At the same time, Mr Dafydd Wigley, speaking in his Caernarvon constituency, called for an end to ideological dis*putes*

Jenkins acknowledges contest will be difficult

BY RICHARD EVANS, LOBBY EDITOR

MR ROY JENKINS confirmed yesterday his intention of accepting "with enthusiasm" the invitation from Social Democrats in Warrington to fight the seat in the forthcoming by-election.

His decision, expected to be confirmed at a meetitng of the *local party on Thursday, has* greatly relieved Social Democrats after Mrs Shirley Williams decided not to run, and has made much more likely the development of a close campaigning relationship between the SDP and the Liberals.

After a meeting of the SDP steering committee in London, Mr. Jenkins acknowledged that the Warrington contest would be an extremely difficult but important one for the fledgling party.

"We shall use this opportunity to fight in Warrington on Warrington issues and to explain more fully the need for the SDP. We shall fight high with hopes of success but honestly we do not regard it as an easy seat by any means.

The advantage of Mr. Jenkins fighting the seat is that he will be able to use the campaign as an effective propaganda platform for the new party, and he is also sufficiently experienced *to avoid committing the party* to policies that have not been officially endorsed.

Although he is not regarded as the ideal candidate for a Northern industrial seat, he is the more experienced politician within the SDP leadership and has fought 12 election campaigns. He is regarded as an effective campaigner.

He agreed that the latest opinion polls which forecast that Labour should *hold the seat* meant that the SDP would have to win a lot of votes during the campaign.

"It is a risk but in the interests of the party it is the right one to take," he declared.

Nott reveals his defence cuts

By Richard Evans, Lobby Editor

MR JOHN NOTT, Defence Secretary, last night presented his proposals for scaling down Britain's defence programme over the next decade, to senior *colleagues*.

No conclusions were reached at a two-hour meeting of the defence and overseas policy committee of the Cabinet, but enough progress was made for the proposals to go to the full Cabinet.

British Gas TV campaign continues despite attacks

BY IVOR OWEN

DESPITE Ministerial criticism and attacks by Tory backbenchers, British Gas is to continue for several more weeks a television advertising campaign prominently featuring its High Street showrooms.

A spokesman for British Gas made this clear after Mr Norman Lamont, Under Ssecretary for Energy, endorsed pro*tests by Tory backbenchers over* the issue. They said that it was wrong for such promotional activity to be undertaken at a time when the Government was known to be considering a suggestion by the Monopolies Commission *that the showrooms* should be sold to the private sector.

Replying to questions in the Commons, he revealed that he had written a letter of complaint to Sir Denis Rooke, the *chairman* of British Gas.

Mr Lamont said the Government had yet to reach a decision on the various options put forward by the Monopolies Commission as a means of ensuring more competition in the sale of gas cookers, central heating and other appliances.

Apart from the disposal of the British Gas showrooms, the commission also suggested that consideration should be given to the possibility of assessing their overheads more realistically and that the true cost should be reflected in the retail price of appliances.

Mr. Anthony Grant (C., *Harrow Central) claimed that* British Gas must have a substantial sum in a propaganda campaign against the commission's report.

It had included the extraordinary claim that if the report were to be implemented, the choice of consumers would be curtailed—something which he believed to be contrary to the truth.

Mr Grant asked if expenditure on propaganda was a proper use of the funds available to British Gas.

While pointing out that advertising was a matter for the management of British Gas, Mr Lamont emphasised: "I share your concern about this matter."

Ambulance workers call strike

BY JOHN LLOYD, LABOUR CORRESPONDENT

A 24-HOUR strike will be held by 17,000 ambulance workers next Wednesday in the first of a series of stoppages in protest against the Government's refusal to increase a 6 per cent pay offer.

The strike call by national officers of the four unions which organise the ambulance workers will not be total. Emergency services, including 99 calls, maternity admissions, patients requiring radiotherapy or renal dialysis and the terminally ill, will be maintained.

But three areas have stepped up or are likely to step up action.

- In London, a meeting of conveners representing 2,300 issued a call for an all-out 24-strike next Monday without the provision of emergency cover.

Mr Mike Pettifer, an official of the National Union of Public Employees, the largest union involved, said that he assumed that the authorities would provide police and army emergency services.

The London ambulance workers will call on other regions to support their action. All four unions—NUPE, the Confederation of Health Service Employees, the Transport and General Workers and the General and Municipal Workers—will be involved.

- In Scotland, leaders of 1,600 workers will discuss the strike call today. Last week, they voted for an all-out strike with no emergency cover.
- In Wales, the national liaison committee will meet this week to decide whether to implement a call made last month for a series of 24-hour stoppages with no emergency cover.

Mr Robert Jones, the NUPE national officer with responsibility for the ambulance service, said yesterday: "From the response we are getting, the problem is not one of support, but of holding our members back."

The Department of Health and Social Security said last night that contingency plans could be brought into play. Mr. Patrick Jenkin, the Social Service Secretary, is likely to refer to the stoppages when he answers questions in the Commons this afternoon.

The Government has remained firm on its offer for 6 per cent over a year or 7.5 per cent over 18 months, after many weeks of negotiations.

BR says 7% pay offer is upper limit

BY PHILIP BASSETT, LABOUR STAFF

BRITISH RAIL said yesterday that it could not press for additional government aid to finance pay increases above the 7 per cent it has already offered its 177,000 railway workers. It was the absolute maximum for which financial support could be justified.

BR's firm warning in evidence to a tribunal on this year's pay settlement for the railways came as Sir Peter Parker, BR chairman, met union leaders over another of the industry's problems—the new timetables with cuts in services which have led to a spate of unofficial industrial action.

Earlier, Sir Peter had heard that the conference of the train drivers' union Aslef had decided to instruct its executive to plan official industrial action on the issue. The decision was expected to be discussed further at the chairman's meeting with the unions, which was still going on last night.

Mr Cliff Rose, BR board member for industrial relations said at the hearing of the Railway Staffs' National Tribunal, chaired by Lord McCarthy, in London yesterday on the three rail unions' rate of inflation pay claims for this year that in any case the Government would be unlikely to be sympathetic to such a claim for more money for pay.

He said the financial structure of the railway industry did not allow the board to be committed to an obligation to match outside rates of pay.

Payment of the 7 per cent offer would add £112m to BR's labour costs in a full year—£78.6m in 1981. In addition, a shorter working week to be introduced this year might also incur additional costs.

Each 1 per cent addition to the board's costs was valued at £16m. Offsetting this required a 0.94 per cent increase in receipts, or about 260m extra passenger miles, or the equivalent of a 2,400 reduction in manpower for a full year.

BR emphasised the need for progress in productivity negotiations with the unions. Mr. Rose made clear that the offer was made on the understanding that these negotiations would continue. However the unions are keen that the issues of pay and productivity be kept separate for this year.

Mr Ray Buckton, Aslef general secretary, in a claim for an "interim" agreement of 15 per cent, accused the Government of intervention in wage bargaining.

Liverpool dockers to study higher offer

By Our Labour Correspondent

SHOP STEWARDS representing 3,500 Merseyside dockers will meet the Liverpool Port Employers Association tomorrow to discuss a revised pay offer.

The stewards, who met yesterday, will report to their executive today. The employers have increased their former offer of £12 a week in wages and bonus, but neither side would say by how much.

Work at the port returned to normal yesterday after a strike and overtime ban over the weekend, in protest over the employers' previous offer.

Though notice of the increase was given last Thursday, stewards said it was too late to avert the strike.

Boycott lifted

THE General and Municipal Workers Union has lifted its boycott of hotels in Scarborough, a popular centre for trade union conferences.

The union said yesterday that after protests about the lack of trade union recognition for hotel workers, four hotels had conceded. Another eight had given statements of intent.

Pauline Clark looks at Nalgo's pay drive

Council staff plan action

THE 500,000 local government white-collar staff were urged yesterday to "roll up your sleeves" and prepare for industrial action over pay this year as their counterparts in the three main public utility industries ratified acceptance of wage increases averaging about 10.5 per cent.

The threat of action was underlined yesterday at a group meeting of 1,200 local government union staff representatives in Blackpool on the eve of the opening today of the annual conference of the National and Local Government Officers' Association.

In an unusual development, a separate group meeting representing 150,000 more NALGO staff in gas, water and electricity almost simultaneously registered acceptance of offers giving increases at a level which, the local government staff fear, may be difficult to match without a major battle because of the Government cash limit policy for local councils.

The local government group, which has asked for a £7 plus 7 per cent increase, giving a 13.3 per cent total rise, is discussing at branch level forms of action if employers try to impose a 6 to 7 per cent increase tied to the Government cash-limits ceiling for public sector increases this year.

They fear that employers, at a joint meeting next week, will try to take account of a 2 per cent increase received last April from last year's arbitration award, and suggest that the opening offer may be as low as 5 per cent.

The staff group will certainly seek an increase of at least 7.5 per cent in line with the settlement for council workers earlier this year.

Preparations for action are at an early stage, and any move toward a nationally co-ordinated fight would almost certainly be preceded by a ballot.

The group's negotiators have yet to receive any indication of what the first offer will be. Employers have suggested a restructuring scheme which the union says amounts to an attempt to claw back the second part of last year's 13 per cent plus 2 per cent arbitration award.

Mr Mike Blick, chief negotiator, said yesterday: "We shall not countenance any clawing back of what was given through last year's negotiations and arbitration. We shall not be bound by cash limits but will pursue the claim on its own merits."

If the group went along the road to industrial action, "I sincerely hope you will be rolling your sleeves up and discussing how you can help if we get into difficult straits."

Union leaders say they are not prepared for a Civil Service style war of attrition but will seek "short sharp action" similar to that by the group in last year's dispute over pay comparability.

This prevented processing of payments to outside contractors for local authorities.

Settlements ratified yesterday by public utility staff in the union included a 9 to 10.8 per cent increase to 50,000 electricity supply staff, with an hour's reduction in the working week to 37 hours.

Staff salaries before ranged from £5,875 to £15,805 a year for the professional group and £2,539 to £6,681 for clerical staff.

The award to 60,000 gas staff was put at 10.5 per cent for senior officers and 8.5 per cent for junior staff, each with an extra day's leave, raising salaries for juniors to £3,163 a year to £11,636 a year for senior officers.

The 37,000 water staff accepted 10.9 per cent, giving increases of between £500 and £1,000-plus a year with an extra day's holiday. Mid-range salaries at present are put at between £8,000 and £9,000 a year.

- Union representatives of the 60,000 white-collar gas staff agreed to go ahead with formulating contingency plans for industrial action if the Government adopted proposals to hive off the Corporation's retail interests, including gas showrooms.

The union holds a special delegate conference in London on June 22 to discuss action which could involve staff on the national gas grid system.

Wage undercutting worries hauliers

BY NICK GARNETT, LABOUR STAFF

HAULAGE COMPANIES are using changes introduced in the 1980 Employment Act to undercut wage rates, causing considerable concern to the Road Haulage Association, the main employers' body.

The association said yesterday that it was unclear how widespread the practice was. Alongside severe reductions in haulage rates, it was adding to competitive pressure in the industry.

The Employment Act scrapped Schedule 11 of the previous employment legislation as well the 1938 Road Haulage Wages as repealing what was left of Act.

This earlier legislation had the effect of allowing claims from the unions against companies which were not observing recognised terms and conditions in the same area or the general level of terms and conditions.

The removal of this legislation effectively means that haulage companies can attempt to pay what they like even though the Transport and General Workers Union (TGWU) and the association negotiate minimum rates on an area basis.

The TGWU is understood to have agreed to some companies paying less than the minimum area pay rates and conditions in an attempt to cut the number of threatened redundancies. The industry has been thrown into a very difficult economic position because of the recession.

However, the association says that wage undercutting at some companies has been done largely to gain "unfair" competitive advantage.

The TUC and some employers told the Government during the drafting of the 1980 legislation that abolishing Schedule 11 could lead to problems for managements as well as workers.

Basic pay settlements for private haulage "hire and reward" drivers have been some of the lowest of the wage round, varying from 3.2 to 6.7 per cent.

Three areas—Mersyside, West Midlands and the North-western—failed to make any agreement with the TGWU for this year. In these areas, rates have been fixed at company level.

Union keeps moderate line on nuclear arms policy

BY CHRISTIAN TYLER, LABOUR EDITOR

ONE OF Britain's most conservative unions yesterday came within an ace of approving a policy of unilateral disarmament in the Labour movement's debate on nuclear arms.

By only 219 votes to 173, on a card vote, the General and Municipal Workers' Union leaders won its annual conference backing for an executive statement which tries to steer a middle course through the argument while keeping the union in the multilateral camp.

GMWU leaders hope—though without much confidence—that the line adopted yesterday will go some way to reconciling the arguments over defence in the Labour Party which have become a key issue in the controversy over the deputy leadership.

A separate resolution carried overwhelmingly yesterday called on the next Labour Government to reverse the decision to accept U.S. Cruise missiles in the UK and cancel the Trident replacement for the Polaris submarine-launched warheads.

The executive policy statement which is too weak for many delegates' liking, does, however, go on to suggest that unilateral nuclear disarmament should remain an option as a possible gesture during renewed multilateral disarmament talks based on SALT 2.

It says there is no obvious immediate political or strategic advantage in Britain totally and unilaterally renouncing or destroying existing nuclear weapons.

The UK should remain part of Nato but should freeze its defence spending in real terms because of the way social services were suffering. There was no point in updating the British independent deterrent, the development cost of which was too colossal to be borne.

The union draws attention to its 120,000 members in defence industries, and says the expenditure saved should be channelled into civil projects to help maintain employment in the areas likely to be hit.

Pit overtime ban rejected

BY OUR LABOUR CORRESPONDENT

MINEWORKERS in Yorkshire, the country's biggest coalfield region, are not to impose an overtime ban—in spite of an overwhelming ballot in favour of doing so.

Last month the Yorkshire area executive of the National Union of Mineworkers had urged the ban in protest against what it called low levels of recruitment of trainee mineworkers. The move was approved in a ballot.

But the executive said yesterday that after talks with the National Coal Board it had been satisfied that recruitment of young mineworkers was now higher than in previous years.

Oil platform strike threat

MAINTENANCE WORKERS on North Sea platforms are set for strike action if moves for a common trade union agreement among offshore maintenance companies fail.

The strike action could involve as many as 3,000 to 4,000 men engaged in routine maintenance operations on 14 different North Sea platforms.

Officials from four unions with members engaged in offshore maintenance work held a meeting in Aberdeen yesterday with over 40 shop stewards.

The local officials from the Amalgamated Union of Engineering Workers' engineering and construction sections, electricians union and the boilermakers, will meet their national officials on Thursday in London.

After yesterday's talks Mr Jim McArtney, local boilermakers official and chairman of the offshore construction unions full-time officials committee, said: "Action will be taken if we do not get a maintenance agreement in the North Sea."

TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

Going to bed with the latest fluidised developments

FLUIDISED bed techniques for liberating energy from coal have been under development since the 1950s when the French devised the "Ignifluid" combustor.

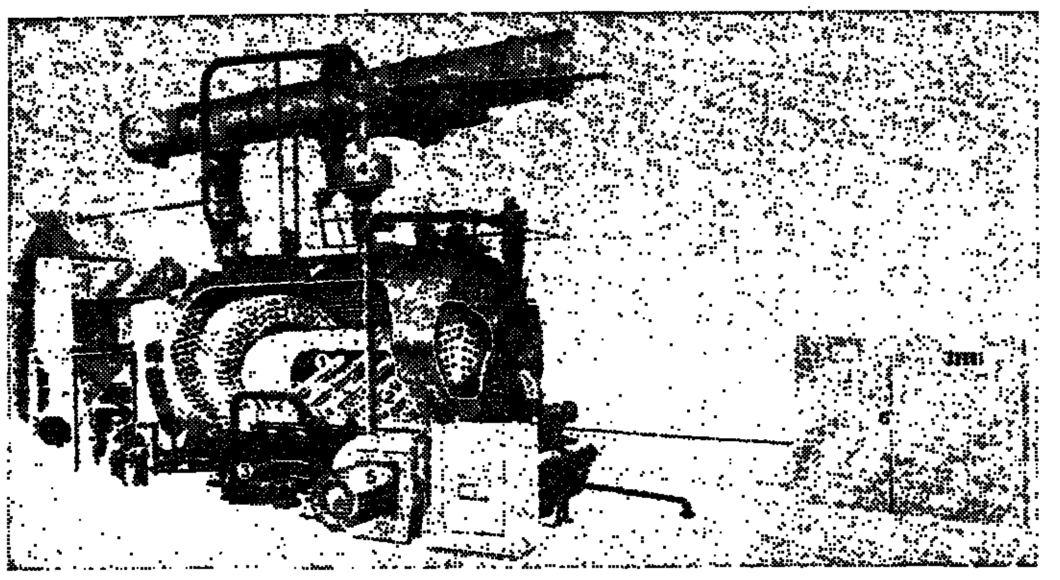
But although the National Coal Board and the Central Energy Generating Board have been collaborating on fluidised bed research for about 20 years, progress has been tied to the importance of coal as an energy source.

Now developments have progressed to the point where the technology is beginning to realise the claims made for it. Close to 50 boilers and furnaces worldwide are exploiting the fluidised bed technique.

In principle, the technique is simple: coal of singles grade is supplied to a hot bed of particles (coal ash or sand) fluidised by the upward passage of hot air. In this environment, coal burns cleanly and efficiently; smaller boilers can be used for the same output, and most grades of coal will burn without further treatment.

Now. boiler companies are beginning to offer fluidised bed systems on a standard commercial basis.

ALAN CANE and MAX COMMANDER discuss two such offerings.



The Danks horizontal shell boiler shows (1) the inclined in-bed cooling tubes with finned outer tubes; (2) plenum chambers with jet stand pipes; (3) recirculating pump for in-bed cooling tubes; (4) coal hopper and rotary valve tube; (5) forced draught fan supplying plenum segments; (6) the control panel.

DANKS

AFTER more than two years of research and development, Danks of Netherton in the West Midlands has introduced a new range of fluidised bed boilers.

The first of the series is based on a horizontal shell boiler with single furnace tube giving 10,000 lb/hr steam or 10 to 25m Btu/hr.

Although the principles of the fluidised bed are now well understood, offering high efficiency from the use of low calorific fuels and high ash content solids, Danks claims to have overcome some of the earlier drawbacks of the fluidised system.

Particularly, the loss of material by elutriation has been minimised by the incorporation of a continuous grit recycling system. This accepts the grit bed material from the boiler reversal chamber and smoke boxes and returns it to the front of the bed.

The prototype, which has now completed tests, follows the shallow bed format with the silica sand inert material at a depth of 50 mm to 500 mm. Air is blown upwards through the bed. The prototype has been running on coal singles igniting on the bed at a temperaature of 600 degrees Centigrade.

Danks says that the transfer of heat to cooling surfaces is very high, with the bed acting as a thermal store to iron out any changes in coal feed or quality.

Extraction of heat from the bed is through inclined cooling tubes working by natural circulation. Assisted forced circulation of the cooling fluid can also be provided.

The amount of combustion air is about the same as that for conventional stoking, about 25 to 30 per cent excess air.

Provision for cleaning the bed of larger ash particles through an ash handling system has also been included to ensure that the bed retains reproducible fluiding characteristics.

The company claims that it has also made significant advances in the control system. When the boiler is to be fired by a single fluidising bed system, the air supply and control system can be simplified to a "high-low-off" option with turn down rates abt 2:1.

More sophisticated arrangements to give bed sectoring, higher turn down and modulation of firing rates are being developed controlled through a microprocessor system.

The complexity of control will depend on the operating criteria for each installation, but the company believes that the control system will eventually provide an interface for a total environmental control unit.

As well as the horizontal shell boiler, Danks has adapted the design for its range of water tube boilers.

ALLIED

ALLIED BOILERS of Oldham, Lancashire was a traditional manufacturer of power generation equipment for factories and the like.

About 18 months ago it began work on a new generation of fluidised bed boilers which it now markets as the "Sandfire" range.

It has already found its first customer for the new models, Hyams the textile manufacturer of Royton, Lancashire.

Mr Frank Naylor, sales and marketing director for Allied, argues that the move to fluidised bed was essential to stay competitive.

Challenge

"We see our new range as a direct challenge to the market domination by conventional boilers such as the VECOS range from GWB. We believe our boiler gives better efficiency with more control."

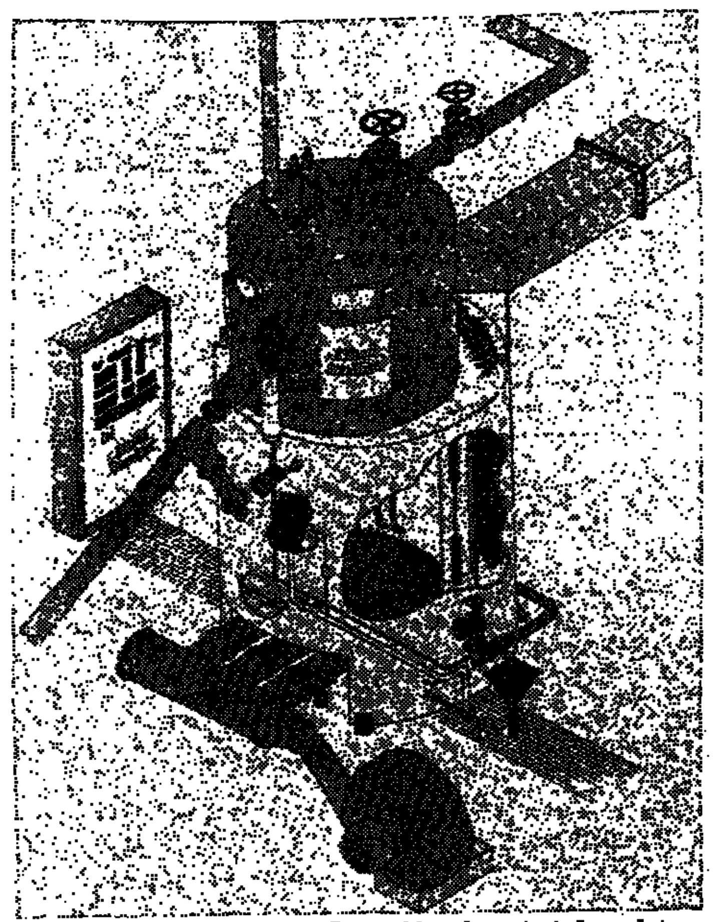
The Sandfire range is intended chiefly for the smaller company needing, perhaps, up to 11,000 pounds of steam output per hour.

This is equivalent to boilers generating perhaps five to 10 MW—significant but not in the range of the giant Grimethorpe or Riversville units.

Mr Naylor says the company has been particularly successful in devising techniques to give a quick response to load fluctuation problems which are one of the chief headaches in fluidised bed design.

"Starting from scratch as we did, we designed the fluidised bed and then built the boiler around it. We designed the logic for automatic control of the system in discreet components but we are working towards full microprocessor control."

Allied is developing two types of boiler, the vertical type—of which the Hyams sale is a typical example—and a new horizontal type which will generate up to 11,000 lbs steam an hour.



Allied Boilers in Oldham, Lancashire, has started work on its new generation of fluidised bed boilers. It is now marketing them as the "Sandfire" range.

The vertical boiler is built to a multitubular design with a fully flooded, water cooled combustion chamber constructed on the vertical centre line of the boiler.

The boiler has a turn down ratio of eight to one (compared with perhaps three to one for conventional boilers) and it will burn low grade, high ash conten coal ranging in size from duff to 30 millimetres.

The boiler is started using an oil or gas starter and once the temperature reaches 700-750 deg C, combustion is self-sustaining.

Mr Granville Rodgers, managing director of Allied Boilers, is predicting UK sales of about £1m in the first full year of manufacture, and an additional £1m from sales to Europe and the Middle East in the following year.

As long as coal seems a viable alternative to oil and gas for raising energy, Danks, Allied and their competitors in fluidised bed boilers should see a useful return on their research investment.

Gauge control system at Enfield

DESIGN AND implementation of a gauge control system for the Royal Small Arms Factory at Enfield, Middlesex is to be undertaken by Zeus-Hermes.

The new system will control the storage of gauges which are not in use and will make sure that gauges are recalibrated at the appropriate date. Day to day running of the system will be carried out on-line using the transaction processing monitor Cortez on an ICL 2904 computer.

Last week Zeus-Hermes, which is one of the larger computer software systems groups in the UK, reported that it had turned its 1979 loss of nearly £156,000 into a profit last year of more than £174,000.

Mr M. J. Punter, chairman, said that the company admitted its mistakes and did not act quickly enough at the time. "However," he added, "there is a hopeful year ahead for the company and we are aiming at a £2m turnover in 1982 with a view to profits of over £200,000."

BASF comes to fruition

THE EXPRESSED intention of BASF, some nine months ago, to enter the computer mainframe plug compatible market has come to fruition with announcements of the first two installations at Baker Perkins in Peterborough and Elstree Computing in Hertfordshire.

Both machines are BASF 7/60s and are made for the German company by Hitachi in Japan.

Alan Penny, an ECL director, says: "Not only was the initial cost of the BASF 7/60 far less than that of the IBM equivalent (the 3031) but it is much more economical in size and running costs."

First machine to go in was a three megabyte 7/60 at Baker Perkins which has replaced a 370/145.

Nick Hollis, divisional manager for BASF Computers, says that the company has a number of other orders for installion between now and the end of this year.

Mr. Nick Hollis, Divisional Manager of BASF Computers.

..POINTERS..

Segment of radio can now join the chip

MODERN ANALOGUE semiconductor circuit technique has now reached the point at which considerable segments of radio and television equipment can be put on the "chip."

For example, Motorola has just announced a narrow band intermediate frequency (IF) stage in a single 18 pin package.

The IF stage in a radia communications receiver is an *important amplifier in which* most of the radio frequency gain is achieved and in which station selectivity is built up.

It reduces the high frequencies used in the first reception stages to a lower value simply because amplification is more easily achieved at the lower values. It also has many tuned circuits to isolate the station required.

Not long ago all this would have needed a space the size of a shoe-box. Motorola has succeeded in putting an oscillator (needed for the frequency reduction process), mixer, six stages of amplification, automatic frequency control (to prevent drift off-station), a demodulator and several other functions on to single chip (MC 3359) which drains a mere three milliamps from a six volt supply. The device produces 700 millivolts of audio output.

Another circuit just announced, MC 1374 in a 14-pin package performs a relatively new function now needed in video recorders and disc players.

In these devices signals at video and audio levels are produced and have to be re-constituted into a normal radio frequency modulated carrier signal of the same type which is broadcast by the BBC and ITV—so that aerial sockets on *TV sets can be used.*

Test facility

BECAUSE it has found that conventional test rigs for hydraulics do not normally incorporate sufficiently severe conditions, Hi-Flex International, a member of the BTR Group, has set up a new test house facility in Salisbury, Wilts.

The £100,000 test house is claimed to place Hi-Flex in the forefront of hydraulic technology, and enables the company to design, manufacture and test hose assemblies to exceed the most exacting current and anticipated future standards.

The test house has high and low pressure impulse and flexing rigs, tensometers, burst testing equipment and environmental cabinets for changing climate simulation.

The high pressure impulse *rig is unique in capability*, and was custom designed for testing all types of hydraulic hose from ¼ inch through to the Hi-Flex HI 135, 2 inch multi-spiral series, claimed to be among the most advanced in the world and giving a variable pressure range of 0-10,000 psi and a cycle rate of 100/130 per minute.

The rig is also stated to be capable of delivering 600cc of oil per pulse at cycles in excess of those currentliy accepted as *world standards.*

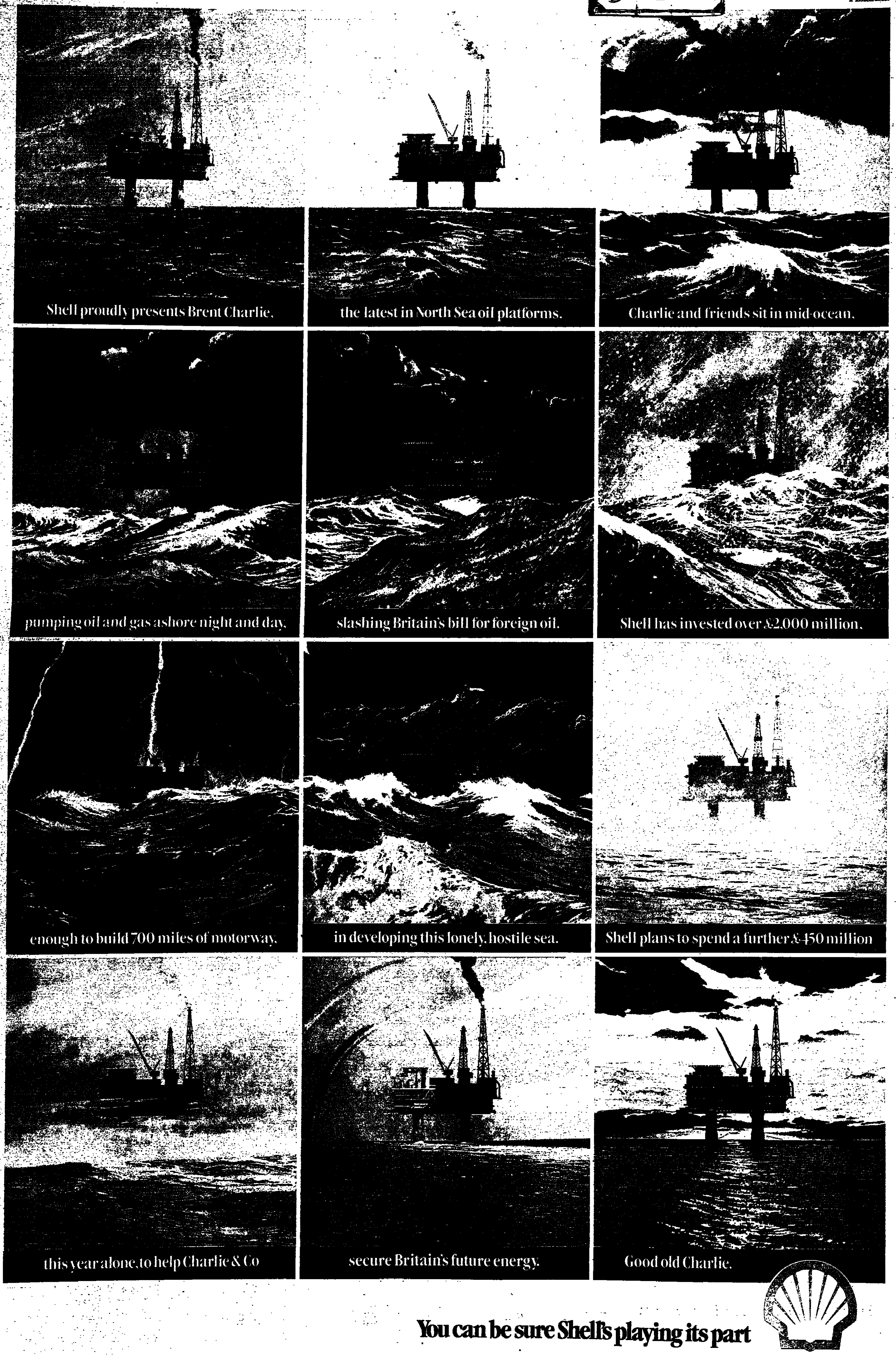
Another feature of the test house is the burst rig capability of up to 60,000 psi—equivalent to the rates used in steel tube manufacture, and double the standard test rate for conventional reinforced hydraulic hoses.

Flexible pipe

THE Andre Rubber Company, a member of the BTR group, has designed a twin-skinned flexible pipe expansion joint for hazardous or critical installations.

The second skin of the joint acts as a fail-safe, while the cavity between the two skins can be linked to a pressure-sensitive element or similar warning device which will be activated in the event of the internal wall failing.

Another benefit of the second skin is that it makes the joint less vulnerable to external damage through impact or fire.


Shell proudly presents Brent Charlie,
the latest in North Sea oil platforms.
Charlie and friends sit in mid-ocean,
pumping oil and gas ashore night and day,
slashing Britain's bill for foreign oil.
Shell has invested over £2,000 million,
enough to build 700 miles of motorway,
in developing this lonely, hostile sea.
Shell plans to spend a further £450 million
this year alone, to help Charlie & Co
secure Britain's future energy.
Good old Charlie.
You can be sure Shell's playing its part

M & S changes its cross-Channel course

Stella Shamoon catalogues the UK retailer's revival in France

"LE MARKS ET SPENCER," said the Parisian taxi-driver as we drew up outside Marks and Spencer's bustling store in the Boulevard Haussmann, "c'est la qualité anglaise — le grande classe."

To the French, and in particular the style-conscious Parisians, *many British goods* — the likes of Rolls-Royce, cashmere and Scotch—are high quality and in good taste. But M and S? Classy?

Yes. Even the well-heeled ladies from the posh 16th Arondissement are dressing themselves in the St Michael brand of classically-styled blouses, skirts and knitwear.

But M and S initially had a hard time preaching on the Continent the gospel according to St Michael: high quality at reasonable cost. Now, after a *twice revamped management* strategy, its efforts have been rewarded and ardent disciples both in France and Belgium have joined the faithful in the UK.

On that faith M and S means to build an empire, first in France and Belgium, and then in other countries on the Continent. Three new stores *will make eight by next year* and suitable sites are being sought for more — particularly in the Paris region.

The St Michael message took nearly four years to penetrate Paris. M and S suffered a painful blow to its corporate pride when in 1975 it first exported its remarkable retail operation to Paris, only *to be treated with an indifferent* shrug of Gallic shoulders. As a result, profitability fell far short of expectations.

But the latest full year M and S figures show a dramatic improvement in its French connection, with European sales up almost 35 per cent and pre-tax profit up by nine per cent *in local currency terms (though profit* was steady in sterling at almost £1.9m).

"Our quality, store layout, policy on customer relations—all was lost on the French at first," says Chris Lewis, an executive based in the Paris nerve centre for M and S's European operation.

Parisians had apparently thought, wrongly, that M and S goods were both cheap and high *fashion. But their shock* at the level of selling prices—30 per cent higher than in the UK—was matched only by disappointment at what one termed the "dowdiness" of M and S clothes, and the "sterile" atmosphere of the store (by French standards). The incomprehensible inconvenience of not having changing rooms in the first stores—as is the M and S formula in its 254 stores in the UK—was another turn-off.

A survey commissioned two years after the first store's opening showed only 7 per cent of Parisians had even heard of the name Marks and Spencer. Though the company's problems were already obvious, it was a rude shock for a great British *institution that was approaching* its centenary. M and S was jolted into the realisation that just because a "one-off" outlet like its store in London's Marble Arch could sell mostly to foreigners—and French speaking at that—the same goods *would* not necessarily sell in France.

Gastronomy

Yet M and S now claims its Paris flagship, with estimated annual turnover of £20m, scores higher sales per square metre than any other French store (excluding hypermarkets). Gross profit margins are higher than in the UK; refunds less frequent, sales of ladies' wear higher, and average purchases greater in food—which M and S has had the cheek to introduce to the gastronomy-minded French and Belgians with *astonishing success.*

The French turnaround has surprised M and S as much as its rivals. The company opened its doors to the highly discern*ing and fashion-conscious Paris*ians in a street comparable to London's Marble Arch. Rivals across the Boulevard Haussmann—Galeries Lafayette, Le Printemps and Monoprix—had little difficulty in persuading shoppers not to bother to cross the street. They opened up street stalls offering cut-price lossleaders in knitwear, in a determined effort to see off "les Anglais" once and for all.

To begin with, M and S could show little more than a stiff upper lip. But enter the Paris store today and the difference—customers—tells the story. Not only inside the store, but out*side, swarming ant-like on what,* in 1975, was considered to be the wrong side of the street. Even an independent street trader who with others thronged the pavements opposite selling cut price kitchen gadgets has crossed over to bask in the light of M and S's new-found success.

French rivals—who laughed at M and S's *initially gauche* attempts to trade in Paris—are awe-struck at the sight of such a miracle turnaround.

How did Marks and Spencer do it? Its unexpected anonymity was the first hurdle. Yet it undertook no major advertising campaign—even in extremis, apparently, Marks and Spencer policy is not to spend money on *promotion—believing that its* virtues shine through and convert consumers gradually.

But key changes were made, in both store design and in the *mix of merchandise. First,* changing rooms were installed. Dummies displaying entire outfits and blown-up fashion pictures were also put into the continental stores, an uncharacteristic move by M and S.

Those concessions aside, the continental stores adhered strictly to M and S standardisation, as they still do. Even the management *offices above* the "shop" conform exactly in size, decor and furniture to those in the UK.

The merchandise mix was *changed twice before M and S* got it right. The initial range in 1975 was largely identical with the British, except for colour variations calculated to cater to continental taste and to "trendier" younger customers than its UK clientele. A large number of special purchases were made from unknown foreign suppliers. But the formula did not sell, instead attracting gibes of "dowdy" and "expensive."

In the second phase M and S *strayed further away from the* classical British look that is its trade mark by establishing a special Paris buying office and linking itself increasingly closely with European suppliers. Quality control remained rigorous, but again mistakes were made on *styling.*

Once more, M and S often had no option but to reduce the price of unsold stock, the ultimate admission of defeat for such a proud, precise and highly disciplined organisation.

In the final phase, the European team was ordered to revert to the basic UK catalogue—thereby effectively taking it back to its traditional type of customer. But the range still included a *few* continent-orientated products from carefully selected suppliers (including tailored skirts from Germany, and unusually long kilts from Scotland).

With this U-turn, which really took effect in autumn 1979, M and S finally struck the right sales formula—and one which improved the economies of scale. The fact that accusations of dowdiness did not recur may have been due to a general improvement in the style of Marks' basic UK line. *But the success was certainly* influenced by a factor over which management had no control: time.

First and foremost, word had *gradually got around that M and* S clothes were not supposed to be cheap copies of the latest *youth fashion, but high-quality,* classic styles. Moreover, the classic "English" look actually began to come into fashion, for women of all ages. Whether the *fashion will survive next winter* must be doubtful.

A further factor behind the turnaround was a growth in Parisian awareness of the M and S *policy of "no questions* asked" towards refunds or the exchange of goods—an approach unheard of in Paris.

Having doubled selling capa*city in Paris to* 46,600 sq ft and established a 21,000 sq ft outlet in Rosney Deux, the commercial centre outside Paris, M and S is opening a 24,000 sq ft store in Strasbourg in November and developing sites in Lille, and in Antwerp in Belgium, to add to its existing stores in Lyons, Brussels and Rheims; the latter is to be doubled in size this summer.

That is aggressive expansion by M and S standards, particularly at a time when the group's fortunes in Canada, via People *Department Stores,* a *60* store chain acquired in 1975 and seen as a springboard to North America, have only just recovered after an expensive rationalisation drive.

Lord Marcus Sieff, the M and S chairman, who is taking a strong personal interest in the development of M and S abroad, pays regular visits to Paris. He must be well pleased with what he sees.

Terry Kirk

Marks and Spencer's Boulevard Haüssmann store: customers now swarm ant-like on what used to be the wrong side of the street

Japanese give gentle warning on quality circle pitfalls

BY CHRISTOPHER LORENZ

EIGHTEEN FEMALE assembly workers at Toshiba's colour television plant in Fukaya, near Tokyo, were publicly congratulated by the company last year for having voluntarily increased the efficiency of their work — inserting components — by 32 per cent. They also reduced their mistakes by three-quarters, bringing their defect rate down to less than 50 parts per million, a remarkable achievement even by Japanese standards.

In Gifu, a group of six employees at a factory owned by Kayaba Industry Company, Japan's leading manufacturer of hydraulic equipment for cars, motorcycles and other products, won one of the country's highly prized Deming awards for quality control.

The six-person circle's achievement was to cut by over two-thirds the time required to change machine tool attachments on the shock absorber manufacturing line, and at the same time to reduce the defect rate involved in the operation to under 4 per cent.

These examples of the contribution of quality circles to Japan's much-envied productivity improvements are contained in a new publication by Jetro (Japan External Trade *Organisation*).* Under the title of "Productivity and Quality Control — The Japanese Experience," it is one of the first documented surveys by insiders of quality circle achievements in a cross-section of Japanese companies.

Jumping on bandwagon

It also represents, though in typically polite Japanese terms, a warning to those Western companies now jumping on the quality circle bandwagon that the concept is by no means easy to put into practice, even in Japan.

To some extent, the report agrees with the advice of western consultants, that quality circles promise *not only* quantifiable increases in quality and productivity, but also less definable improvements in communications within the organisation, and in the motivation of employees. But the document puts a stronger emphasis than western experts on the measurable achievements of circles.

Analysing Japan's continued increase in manufacturing productivity, even after it had reached western levels of per capita *GNP in the early 1970s,* the report cites the relatively high level of private capital investment as the foremost cause. It is far less emphatic on the effect of quality circles, claiming only that their activities have been "a probable cause of productivity increases."

The publication then tests this assertion by presenting the find*ings of in-depth interviews* with seven Japanese companies.

Some of the major findings were as follows:

- All the companies believed and could demonstrate that quality control circles (the word "control" has been dropped by many companies in Japan and the West) had not only contributed to improvements in productivity, but also to a number of other goals, including quality control, promptness of delivery, safety, better communication within the organisation, and "maintenance of employee morale."
- One of the key intitial steps in introducing QC circle activities was to set up the appropriate internal supervisory network, and to educate employees in quality control techniques.
- The introduction of circles was not without obstacles. For example, most companies indicated that about a year of education and training was necessary initially; some advocated up to two years. Every company also made a *special effort* to acquaint trade unions with the purpose of circle activities, and to secure their full co-operation. "It was also necessary to avoid inter-level conflicts conflicts and to assure that technical personnel and line employees worked together smoothly in the solution of problems."
- A number of factors appear to have made the introduction and development of circle activities "easier in Japan," states the report in its gentle warning way. These include: the greater degree of emphasis on group work as against individual achievement; the "life-time employment" system in larger Japanese companies; and the system of job rotation.

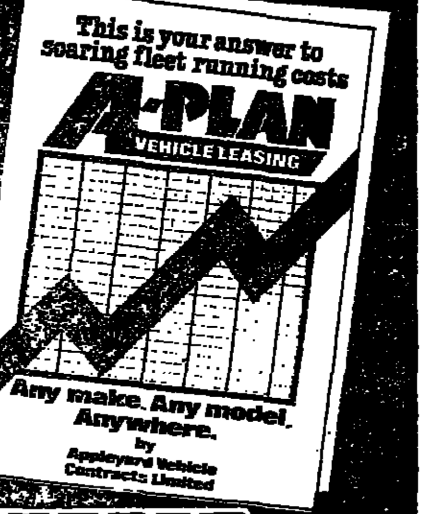
The report's emphasis on the need for extended special training — even in Japan where the average educational level of shopfloor workers is higher than in the West — pinpoints one of the reasons why some western companies have failed in their quality circle programmes. The need to consult unions as well as all levels of management is equally significant; it was on union opposition that Ford's programme recently foundered in the UK, but management opposition has been even more lethal in other cases.

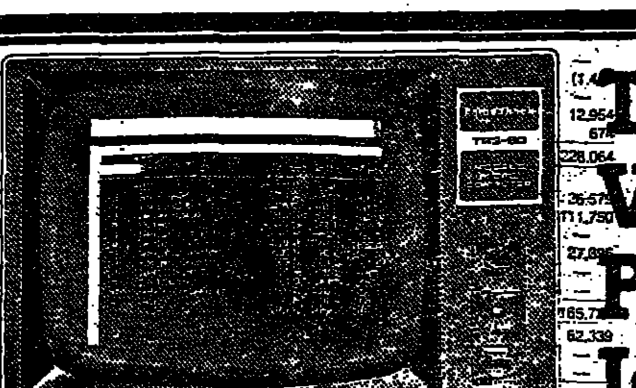
Not held in own time

Among the many other valuable lessons of the report is that Japanese quality circle meetings are not all held in the employees' own time, as has ben suggested by some Western observers. Some of the seven companies pay overtime, it states, though the majority did indicate that the only reward *provided, other than for exceptionally* valuable work, "was the satisfaction of knowing that the worker was making a contribution to the company and its future."

* *Now in Japan, No. 30/1981. Available from Japan Trade Centre offices in various countries. In Britain: 19-25, Baker Street, London, W1A 1AE. Telex JTCLDN G 262520.*

** *The Financial Times series of eight articles on quality circles and product quality, entitled "Learning from the Japanese," has now been reprinted in booklet form, and is available from Diana Twaites, Publicity Department. Price £2 incl. p and p. Payment to be enclosed with order.*

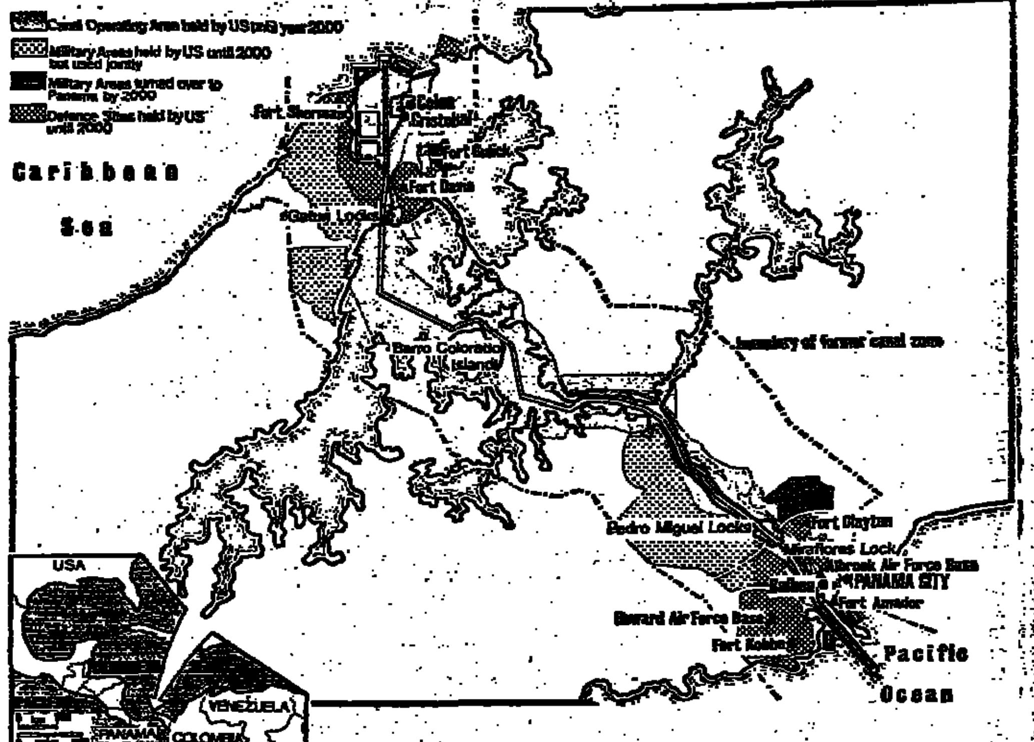




FINANCIAL TIMES SURVEY

Tuesday June 9 1981

Panama



Since the signing in 1979 of the Canal treaties with the U.S. Panama and its citizens have acquired new-found freedom and strength. As this survey shows, the country is setting about developing its economy with a fresh sense of purpose — relying chiefly on its special advantages.

Social issues come to the fore

By William Chislett

BRANDISHING A home-made Molotov cocktail made out of an old beer bottle, the black teen-aged Panamanian student and his friends stood by the blazing school bus which they had drawn across the road and set on fire, so blocking for the whole day the main highway to Colon, Panama's second biggest city and the home of the largest free trade zone in the Western Hemisphere.

"They've made us lots of promises," said the student, referring to the education authorities, "but none of them has been kept." The school across the road from us on the outskirts of Colon looked like an abandoned warehouse. There were, said the student, over 40 to a class, not enough benches, few books and technical equipment.

Traffic was piled up on either side of the makeshift barricade. Those like myself who wanted to enter or leave Colon—a hotbed of crime and social tensions—had to leave their cars and walk past the students—which presented no problem — and catch a bus for the remaining five miles into the city.

To the casual visitor it would seem on first sight that Panama is plagued with the same kind of chaos normally associated with most of the rest of turbulent Central America. But this is most certainly not the case. The Colon demonstration was an isolated and rare occurrence. Had such an event taken place in, say, Guatemala or El Salvador — both, unlike Panama, Right-wing military dictatorships—it would have been put down swiftly and ruthlessly, probably with loss of life.

The Panamanian National Guard left the students alone to let off steam; in the evening they abandoned their barricade. General Omar Torrijos, head of the National Guard, has been a benign dictator since he came to power in the bloodless coup d'etat in 1968.

Had tourists plucked up courage and left their cars to go into Colon they would have seen for themselves both the students' depressed background (the students' parents make up the great bulk of the one in three unemployed in Colon) and also a city beginning to enjoy an unprecedented and sorely needed boom—a factor which gives hope for Panama's future. That future does indeed appear to be brighter than at any other time in Panama's history, despite appearances to the contrary.

The Panama Canal treaties, which came into force on October 1 1979, so finally fulfilling a promise after 14 years of bitter negotiations and healing the main wound in U.S.-Panama relations, are having a great impact on the country. The Treaties abolished the U.S.-controlled Panama Canal Zone, a strip of land stretching five miles either side of the Canal, and convey control of the Canal itself to Panamanian hands in the year 2000. Panama is now much more master in its own house and has a greater say over its destiny.

Since the Canal, the major route for trade between Atlantic and Pacific areas, was opened in 1914, Panama has effectively been an appendage of the U.S. The Canal Zone bisected Panama and created an enclave far removed from the rest of the country.

Comparison

Those mainly U.S. citizens living in the Zone, known as "Zonians," lorded it over the Panamanians who lived on the other side of the wire mesh fence marking the Zone's boundary. The Zonians' elegant wooden houses, smartly painted and air-conditioned, with manicured lawns, stood out like sore thumbs in comparison with slum dwellings on the other side of the fence at places like Calidonia. In the Zone, U.S. citizens were paid U.S. rates and followed U.S. laws; the Panamanians, many in menial tasks, were paid a much lower rate.

For Panamanians the Canal became more a channel for national aspirations than a channel for world trade. The country received little direct income from the Canal although it sliced through its territory.

Now that Panama has won its long-standing battle with Washington, although not to its complete satisfaction, the Centre-Left Government of Dr Aristides Royo, Gen Torrijos's hand-picked President, has been able to turn its attention more to other pressing problems which have been overshadowed by the Canal issue. Unemployment is high, agriculture is in a bad way and the economy needs to diversify away from its heavy dependence on services, which account for 60 per cent of the Gross Domestic Product.

At the same time Western nations using the Canal have seen for themselves that the dire forecasts made by hard-line opponents of the Canal treaties in the U.S. Congress, who foresaw a cataclysm when Uncle Sam relaxed his grip, have proved to be groundless. As this survey discusses later at greater length the Canal's operations have not been jeopardised. Washington anyway remains fully in command of the waterway until the year 2000, while Panama now controls the ports at either end.

As a result, foreign and local confidence in Panama has been greatly strengthened and the economy, which went through a period of stagnation before the treaties—partly because of the uncertainty over the outcome—is now booming. The economy grew in real terms by about 5 per cent last year and is projected to do even better this year.

Not only is Panama receiving more income from the Canal—about $75m a year as against the old token rent of $2.5m—private, foreign and local investment is greatly increasing. Such is the relative smallness of Panama (pop. 1.8m) that even a little investment can have a large impact.

The book value of U.S. investment in Panama is about $1.1bn, half of total foreign investment, and the U.S.'s third highest investment in Latin America. U.S. investment in the rest of Central America altogether is only $895m.

Washington, indeed the West in general, has because of the Canal, a vested interest in assuring that Panama does not follow the bloody path of its Central American neighbours. In the face of the mounting turmoil in Central-America, the U.S. Government is actively promoting more investment in Panama as the best way of assuring its continued stability.

Panama, however, is a markedly different country from the rest of Central America, largely because of the heavy U.S. influence over the years. Comparisons, and then only tenuous, can really only be drawn between Panama and one other country in the region, namely Costa Rica, a haven of stability.

But Costa Rica, unlike Panama, is now facing a severe economic crisis which has just necessitated the help of the International Monetary Fund (IMF) to bail out the country.

Panama, on the other hand, is in very good standing with the IMF. In March, in recognition of its good economic performance, its allocations with the IMF, under the current stand-by agreement it has, were increased to Special Drawing Rights 90m. In what must be an exceptional move Panama has implemented public spending cuts and increased tax collection, but barely drawn on the stand-by credit—which is rather like taking the stick and refusing the carrot.

Advances

But the two countries are alike in that they both have made great advances in the social field — particularly Panama in the 13 years since Gen Omar Torrijos came to power. Panama's literacy rate is 85 per cent and its per capita income about $1,400. Nicaragua, by way of comparison, had a 70 per cent illiteracy rate when Gen Somoza was ousted from power four months before the Panama Canal treaties came into force and a per capita income less than half that of Panama.

Nevertheless, unemployment remains the greatest single problem in Panama. It is estimated that of the 18,000 students who completed their education last year only 12,000 of them have found full employment. But there are good reasons to believe that the unemployment problem will be gradually relieved over the years.

New jobs will be created by expanding the congested Free Trade Zone area in Colon and also on the industrial park where the Government hopes to attract export-oriented assembly plants through offering attractive fiscal benefits.

A shrimp industry has also been successfully started. Two major hydroelectric projects will provide many jobs during the construction process and on completion will make Panama's electricity supply almost entirely hydroelectric, thus reducing dependency on oil.

The most ambitious project of all, which could get the green light in July, is a $2bn scheme to build one of the world's largest copper mines in the Chiriqui area. Some 10,000 workers would be involved during the peak stage of construction and the mine would provide over 2,000 permanent jobs.

But this mammoth project would greatly increase Panama's already high public sector foreign debt of $2.4bn—already the highest in per capita terms in Latin America. However, a measure of the present confidence in Panama is that neither Government officials nor foreign bankers seem to be very worried about the high level of indebtedness, though this is a severe drain on the Exchequer. Panama, however, has never defaulted and has, with so many banks on its doorstep, easy access to funds.

Political problems too show signs of being solved, although not in the most democratic way. There will be presidential and general elections in 1984, the first since the 1968 coup. Political parties are coming forward to be registered and the Government has formed its own party, the Democratic Revolutionary Party (PRD), along the lines of Mexico's 52-year ruling Institutional Revolutionary Party. The PRD has an unfair advantage over everyone else from its effective vantage point of both arbiter and participant, and is thus expected to win unless the splintered opposition (some 17 parties) settle their differences and form a united front.

Ultimate

Gen Torrijos, however, who retired as head of government three years ago while keeping his key position as head of the National Guard, shows no ambitions at the moment of wishing to run for President. Nevertheless, he remains the ultimate power in the country, ruling unobtrusively from his barracks.

The Canal issue was a great unifying factor in Panamanian politics, cutting across party and class lines. But this rallying point has now disappeared, its place taken by issues like the students' grievances in Colon and the plight of the unemployed. Panama's continued stability will depend on solving these problems.

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Spectacular growth as world centre

BANKING AND FINANCE

DAVID BUCHAN

"AS LONG as there is money in the world to be recycled, Panama can't get too crowded," Royal Bank of Canada's man in Panama City stated confidently. There was, he believed, plenty of action for many other financial institutions to join the 111 banks that have set up shop in the city's growing number of skyscrapers or in incongruously converted bungalows.

Bankers are gregarious. It is not only that they seek safety in numbers; they like having each other around to swap money, expertise and trade gossip. For different reasons the Panamanian Government welcomes this congregation. Despite fits of ambivalence from time to time, the Centre-Left Royo Government recognises the benefits of a booming banking sector that employs more than 7,000 of its citizens, accounts for 7.8 per cent of its Gross Domestic Product, gives it access to credit on its doorstep, and confirms the aura of Panama's stability in this increasingly troubled region of the world.

Recycler

The bald figures are spectacular. By the end of last year total assets (which in banking terms means loans) of Panama-based banks reached \$38.4bn compared to \$34.5bn at the end of 1979. Financing most of this were bank deposits amounting to \$33.89bn—the great bulk of it, of course, borrowed on the international inter-bank Euromarkets. Strong though the Panamanian economy has been over the past two years, the monies the country and its 1.8m population can generate are tiny compared to those being "booked" by the big international banks through their Panamanian branches and subsidiaries. Panama is now a major funneller or recycler of Euromarket funds, plus private capital from the surrounding region, to Latin American governments and their various agencies.

Panama's strength as a banking centre lies in the variety of incentives it offers and thus the variety of motives that banks have for going there. The U.S. dollar is legal tender in the country—though for reasons of national pride it is referred to as the balboa in book-keeping. This gives it a major advantage so long as the U.S. currency keeps its present dominant position in world finance and trade, and it is allied to the fact that Panama has no controls on the movement of capital.

It sits at the crossroads of the Americas along with its Canal, and has on its Atlantic coast at Colon the second biggest free trading zone (after Hong Kong) in the world. Above all, it has liberal tax laws and regulations, as well as relatively efficient services and communications.

The 111 banks are not all chasing the same business; each tends to have slightly different hunting grounds. Some of the American banks have grown up as part of the landscape. Citibank (which arrived in 1904) and Chase Manhattan (1915) came with the Stars and Stripes to the Canal Zone and stayed to set up networks of retail branches around the country.

Chase, for instance, has self-consciously eschewed using Panama as an international base, and, as Sr Luis Moreno, its general manager, proudly points out was the first to take banking to rural Panama and start farm credit programmes. A big established share of the domestic market has paid off for Chase, whose portfolio, for instance, rose a nominal 19 per cent in the past year.

Later arrivals have not tried to break into domestic retail banking, though more than half the total number of banks have taken out general banking licences, which enable them to do business domestically in return for submitting to a modicum of Government supervision and regulation.

The Bank of London and South America (Bolsa)—the Lloyds subsidiary and the only British bank in Panama with a general banking licence—is there in pursuit of trade finance and handling through such instruments as letters of credit. Panama's location and the Colon Free Trade Zone are reason enough for Bolsa to be there, says its general manager, Mr Michael Shaw.

Other banks are rather more interested in tapping the international money markets from Panama. Some Latin American banks are in Panama simply to funnel Euro-funds into their national systems, while some U.S., as well as European banks, find Panama conveniently placed to service the whole of their South American regional Euromarket portfolios. Even in an era of instant telecommunications it is still easier to deal with clients in the same Western Hemisphere time zone, and not five hours ahead as in the case of Europe or nine hours behind as in the case of the Japanese, who are a growing financial and commercial presence in Panama.

The cornerstone of Panamanian banking—and happily in place just before the post-1973 Euro-markets boom—is the 1970 law. This exempts offshore business conducted from Panama from income-tax, frees from tax all interest earned on domestic savings accounts and all offshore transactions, permits the setting up of accounts in any currency as well as numbered accounts.

Part of the law's purpose was to clean up Panama's reputation and it set up a National Banking Commission with some very basic regulations to administer. The commission vets all new applications, checks "international licence" banks to ensure they have no black marks against them and have a physical presence in the country—not just a name plate—and then basically leaves them alone, while it supervises general licence banks to ensure they comply with some not very onerous reserve requirements. (Other central bank functions such as receipt of tax revenue, holding of reserves, and short-term loans to the Government are carried out by the Banco Nacional de Panama—which rather unusually is also its own commercial bank on the side.)

Like many aspects of Panamanian banking — where international bankers replace their pinstripes in favour of the loose Guayabera shirt — regulation is less than totally formal. The Banking Commission is composed of four Government-appointed officials and three bankers from the private sector. One of the latter group, Sr Moreno of Chase, describes the Government's attitude on bank regulation as "understanding."

Panama banking has kept its nose clean, however. A handful of banks have been closed down in the past decade, and the Banking Commission scorns the laxity in such neighbouring places as the Netherlands Antilles and is alert to the dangers of letting fly-by-night operators from some of the independent Caribbean islands use Panama.

The Government has had no cause to complain about the credit it has been getting from the international banks. For a country with an external debt which at end-1980 stood at \$2.4bn, or 70 per cent of its Gross Domestic Product, Panama has done very well. Last January, for instance, the Government borrowed \$150m at only 1 per cent over Libor, its best rate ever. But the bankers deny there is any kind of a "sweetheart deal," with the Government offering gentle bank regulation in return for getting easy credit.

Some argue that traditional benchmarks should not be used to evaluate Panama's debt and its creditworthiness, partly on the grounds that its steady Canal revenues and the remaining U.S. military presence in the country ensure it will not veer drastically off its political and economic course until at least the end of the century. But even if one does use traditional yardsticks, Panama's performance has sharply improved in the past two years; external debt service as a proportion of exports went down from 16.7 per cent in 1979 to 13.4 per cent last year.

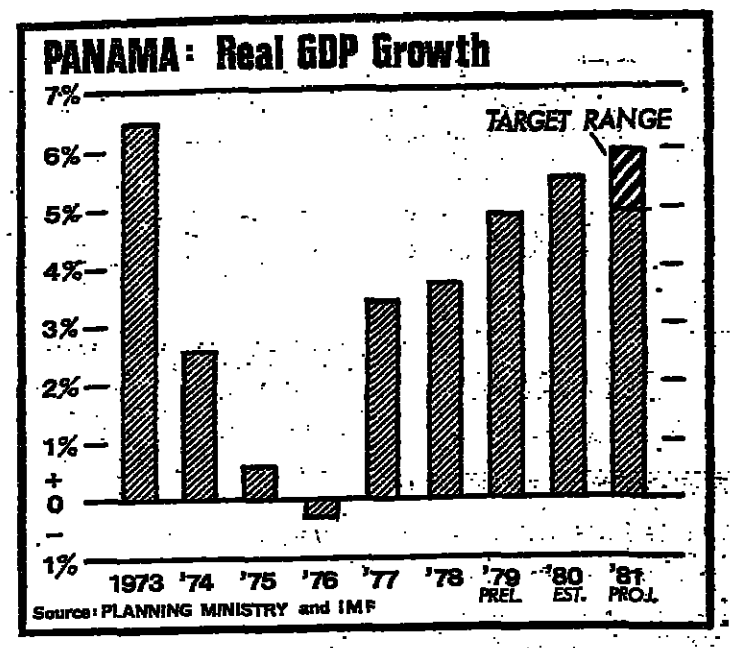
In April the International Monetary Fund (IMF) made Panama a practical gesture of recognition of its good performance by increasing its allocation, under the current stand-by arrangement which Panama has with the IMF, of Special Drawing Rights from 66m to 90m (about \$108m). Panama has been following IMF advice — cutting public spending, increasing tax collection — but has barely drawn at all on the stand-by credit.

The bankers rest generally content in Panama, accepting the Royo Government's political need to subject them to a little populist rhetoric now and then. The clouds on their horizon come from outside. The continued possibility that the U.S. may set up "offshore" banking onshore in New York or Miami perhaps, would hurt Panama, though not as much as other areas since Panama has its trading location as a bedrock advantage to fall back on.

Much more ominous is the possibility that political violence in Central America could spread south to Panama. It is true that at least 12,000 U.S. soldiers will stay in Panama until the year 2000. But bankers in Panama are certainly alert—nervous would be too strong a word—to events to the north. One described Central America as having "gone a little quiet for banking demand," which is perverse bankerese for saying the region is popping with guns. Panama well knows it may be "offshore" but that it is not an island.

BASIC STATISTICS

Area:	76,000 sq km
Population:	1.8m
GDP (1979):	2.84bn balboas
Per capita:	1,578 balboas
Trade (1979)	
Exports:	287.9m balboas
Imports:	1,066.8m balboas
Trade with UK (1980)	
Exports:	£3.9m
Imports:	£24m
Currency:	Balboa = U.S.\$1 £ = 2.0580 balboas



Reinsurance prospects

EARLY NEXT month some 200 senior reinsurance professionals representing markets worldwide will gather in Panama City for the Third International Reinsurance Forum, sponsored by the relatively new Panama Reinsurance Association, URDEPA. The event, at which world rather than purely Latin American developments will be debated for the first time, has considerable significance for Panama's continuing aspirations to be accepted internationally as a stable and usable specialised reinsurance centre.

It cannot be said that reinsurance underwriters and brokers from all quarters of the globe have exactly rushed into Panama to take advantage of the watershed legal change which took place less than five years ago. This was the Reinsurance (Companies) Law No. 72 of late 1976 which sought to institutionalise and control reasonably for reinsurers the advantages—strategic, fiscal and otherwise — of doing non-Panamanian business of other kinds out of Panama.

But the arrival of new names on the Panama scene, and the addition of new shareholders or participants in the various pools and reinsurance companies being developed and supplied with business through the local managing agencies, are not unimpressive.

Some 34 underwriting companies, direct insurers or reinsurers, have been authorised to write external treaty business out of Panama: they include such established international names as Italy's Generali, AIG and Continental of the U.S., Japan's Taisho Marine; Storebrand (Alpha Re) from Norway, Skandia from Sweden — both Scandinavian groups moved their Latin American regional head offices from Mexico — as well as Panamanian and other Latin American companies.

In addition some 27 other companies, including a contingent mainly from non-Latin American developing countries, receive reinsurance business through Panama via the PLAR (Latin American Reinsurance Syndicate) or other syndication or pooling arrangements. There are also nine broker/managing agency groups authorised to place external reinsurance.

Support

What does all this add up to in terms of business volume, security and outsiders' support of the Panama concept? It seems probable that rather more than U.S.\$100m of reinsurance business will be written in Panama this year.

While this volume has come up from probably only about U.S.\$20m written in the first year of operation of Law 72, it seems improbable that really large numbers of either underwriting companies or premium dollars will be seen in Panama in the near future, or ever.

None the less there is evidence of a slowly growing perception overseas that Panama's reinsurance managers, particularly under present bitterly competitive world market conditions, are determined to go for business quality rather than quantity, supported by reasonable capitalisation and quite strict limits on use of available capacity.

J. J. Pryor

Limitations and ambitions

OFFSHORE ROLE

DAVID BUCHAN

PANAMA may be the biggest offshore centre in the Americas but even 111 banks do not a fully fledged financial centre make. The fundamental reason why Panama will never sit on a par with the world's financial capitals is that it is not a "giver" of funds. Like other non-oil exporting countries of the Third World it is essentially a "taker" of funds from the international money-go-round.

Even so, the Panamanian authorities harbour hopes of a home-grown money market and foreign exchange operation developing. The London-based broker firms of Marshalls and Fultons have in fact set up the embryo of a Panamanian money market, though as yet with only a dozen or so traders. The number can be compared with, say, the 250-strong Marshalls operation in New York. Hooked into their world-wide 24-hour telephone networks, these brokers earn their living, and their rake-off, putting bank borrowers and lenders in touch with each other.

As Mr Dai Jones of Marshalls admits, the banks do not have a specific need for brokers in the same city, but it is cheaper and easier to communicate with them if they are on the doorstep. Panama is unlikely to become a major money trading market in its own right, but business, chiefly in the U.S. dollar deposits, is on the increase. Mr Jones' only moan is that the Panama telephone system, which he puts technically above that of the UK, charges a tiresome flat \$1 on each call abroad.

Less plausible is the foreign exchange ambition. A couple of banks in the city—Bankers' Trust and the Swiss Bank Corporation—have built up sizable currency dealing rooms, but few people think this will catch on in any big way. There is no underlying trade-related market to base foreign exchange dealing on. Companies operating in and out of Panama have little need for this service, since Panama has no domestic currency other than the U.S. dollar.

But Panama continues to be a very convenient tax haven for individuals—chiefly from Central and South America—to hide their personal holdings from the prying eyes of governments or from the political risk of coup and revolution. Its company law goes back to 1927, has never been amended since, and thus far predates its banking code of 1970. There are some 50,000 companies registered under the 1927 law which offers the following freedoms:

- two persons of any nationality and not necessarily resident in Panama may set up a company;
- shareholders, officers and directors may be of any nationality;
- the capital may be written in the legal currency of any country;
- meetings of shareholders and directors may be held in any part of the world.

Traffic increases as fears about changeover subside

THE CANAL

WILLIAM CHISLETT

THE PANAMA CANAL, a vital artery for trade moving between the Atlantic and Pacific areas, is alive and well. It has not ground to a halt since Panama took control of the Canal Zone from the U.S. in October 1979.

Staunch opponents of the canal treaties in Washington, which included Mr Ronald Reagan, feared that the canal's operations would be in danger when Panama took control of the zone, a strip of land which stretches five miles each side of the canal. A third of U.S. corn and phosphate exports and a quarter of its coal exports are shipped through the canal. Many South American countries rely much more heavily on the waterway for their foreign trade. But the critics' fears have proved unfounded.

Since the treaties came into force the red, white and blue Panamanian flag has flown over Ancon hill, a symbolic site with a commanding view of both the Canal and the Zone and the subject of a well-known nationalistic poem. But the Stars and Stripes is also still to be seen fluttering outside the headquarters of U.S. installations, although it is no longer in the position of honour.

Washington is still very much in control of the Canal and will continue to be so until noon Panama time December 31 1999 unless the treaties are substantially changed.

Accountable

Panama now runs the ports at each end of the Canal and controls the railway. It also receives a greater proportion of the Canal's revenue. The U.S., however, in the words of the treaty, continues to "manage, operate and maintain" the Canal and also defend it. A new body, the Panama Canal Commission, a nine-man board comprising five U.S. citizens and four Panamanians, all appointed with the approval of Washington, has replaced the old Panama Canal Company and is much more accountable in financial matters to the U.S. Congress.

Although the old Panama Canal Company was part of the U.S. Government, it was run like a corporation and so had a degree of flexibility and autonomy. The new commission, however, to the displeasure of the Panamanian Government, now has to account to Congress for every penny spent. Congress not only approves the budget, which is about $450m a year, but, unlike before, also stipulates how the money will be spent.

But apart from this and a few other grievances, which Panamanians say break the spirit of the treaties as they were originally perceived, Panama does now have more of a say in the "funnel for world trade," as the Canal used to be labelled on U.S. car plates before the treaties came into force.

Not only has the Canal not ground to a halt; traffic has increased, again belittling the fears of the critics.

Despite teething problems during the Canal Zone changeover, when there were some labour problems because of streamlining the commission, the Canal moved 9 per cent more tonnage in 1980 and a similar increase is expected this year.

Larger ships are using the Canal in increasing numbers because of increased energy costs. True, there have been some backlogs—last November there were about 180 ships waiting at either end to go through the Canal and last month about 90 because maintenance work on the Canal reduced the flow. But such things also happened before the treaties.

Mr Dennis McAuliffe, formerly commander-in-chief of the U.S. Southern Command based in Panama, and now the administrator of the Canal Commission, estimates that on average 41 ships are passing through the Canal a day, slightly more than the Canal's present rated capacity. Mr McAuliffe, though a general, prefers to be called plain mister in keeping with America's lower world profile and he wears mufti.

More Panamanians are being trained so that gradually the Canal can be handed over to Panama. When the treaties came into force 69.8 per cent of the canal labour force were Panamanians, said Mr. McAuliffe with the military man's precision for detail. A year later the Panamanian participation had risen to 72.5 per cent and is continuing to increase.

Panamanians are being brought in at the lower levels and over time will rise through the ranks. The task of training is formidable and unless it is done properly Panama will never really control the Canal. The highly specialised task of the pilots, the waterway labour force's elite, will probably always remain in U.S. hands; thus giving Washington leverage for longer than the year 2000 over the Canal.

Competition

Later this year Mexico is expected to start operating its own "Panama Canal"—a landbridge to move containers across the isthmus of Tehuantepec, which will provide some competition.

The go-ahead has also been given to construct a 36-in diameter 81-mile-long trans-isthmian oil pipeline in Panama between Chiriqui and Bocas del Toro to move Alaskan North Slope oil. Supertankers will unload and send oil through the pipeline at the rate of 50,000 barrels per hour. This system will be more efficient than transporting crude in small tankers through the Canal but it will take away some $40m a year in revenue from the waterway.

To keep abreast of these developments the Canal's capital expenditure programme has been accelerated to improve efficiency and expand capacity. The Canal meets all expenses through tolls at no cost to the U.S. taxpayer.

The 1980 capital expenditure programme of $35m was 50 per cent more than in 1979 and this year about $30m will be spent. But the increased expenditure, along with rising energy costs, has meant that this year the commission expects to make a loss of about $7m compared with a $3m profit in 1980.

Projects under way or planned should lift the capacity of the canal to about 45 ships a day.

The planned improvements are:

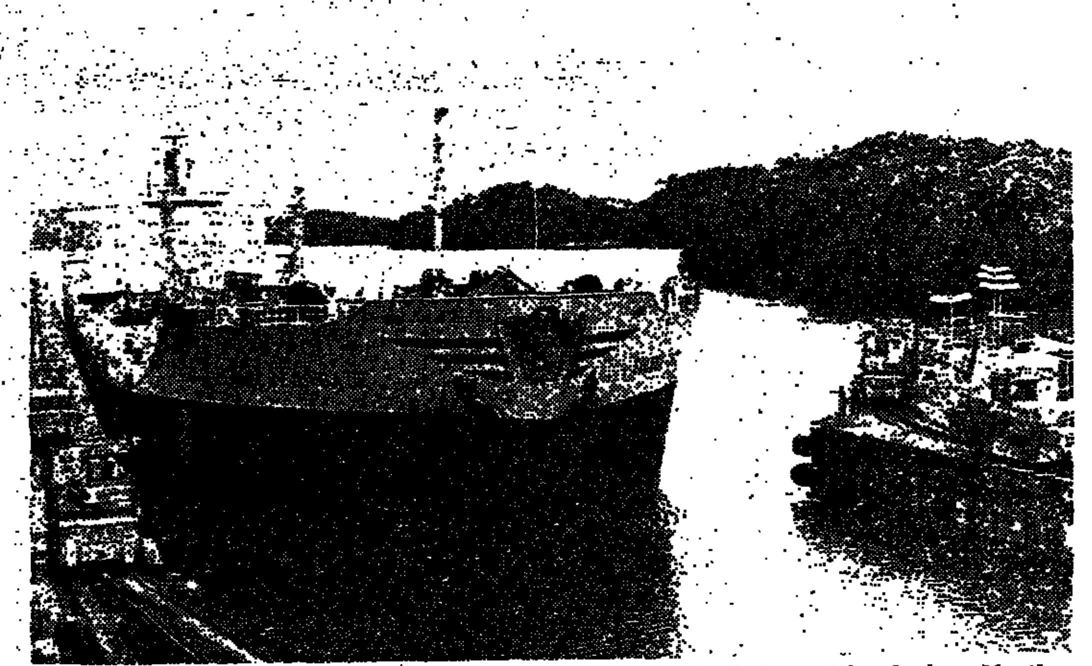
- The installation of high mast, high intensity lighting in both lanes of the Miraflores locks. This has extended locks operations for larger ships which for safety reasons were restricted to daylight transit. Similar lighting will be installed at Gatun locks later this year and at Pedro Miguel locks in 1982;
- Ten more lock locomotives, known as "mules", will be bought over the next two years and also four more tugboats;
- Sections of the Canal are being widened and curves straightened;
- The commission is studying the idea of one-way navigation through the Canal during periods of heavy fog and rain, and also the construction of a tie-up station north of Pedro Miguel locks. More ships would then move partially through the Canal from the Pacific end before having to make way for larger ships.
- As traffic levels increase there is a danger that the depth of Gatun lake will become too low for navigation. A project is under way to deepen the Canal channel by three feet.

But the main problem is the long-term viability of the present Canal and whether it will have to be replaced with another or the present one substantially expanded. The Canal is restricted to ships up to 65,000 dwt.

Several options are being seriously discussed, including building a sea-level canal (the present canal has locks) which would run parallel to the present waterway about eight miles west. Another option is to turn the existing Canal into a cross between a sea-level and lock waterway.

Panama has also started a major reafforestation programme to prevent silting in the Canal. The million-acre watershed which feeds the Canal is greatly deforested, as it has been illegally plundered.

Every time a ship completes its inter-oceanic voyage 32m gallons of fresh water, the amount used each day by a city of 500,000 people, are spilt into the sea. Since about 13,600 ships use the Canal a year Lakes Gatun and Alajuela, which are man-made reservoirs, lose about 700bn gallons to the oceans. The lakes also supply water to about 1m Panamanians.



A U.S. tanker moves through the Pedro Miguel Locks laden with Alaskan North Slope oil for Gulf and East Coast ports. Alaskan crude now accounts for about a seventh of the total cargo carried through the canal

Decision near on new $2bn mine

COPPER

WILLIAM CHISLETT

THE PANAMANIAN Government and Rio Tinto-Zinc Corporation are likely to announce in July whether or not they will proceed to construct one of the world's largest copper mines at a cost of over $2bn — 58 per cent of Panama's current Gross Domestic Product.

The mammoth project, sited 160 miles west of Panama City near the Gulf of Chiriqui, has been bogged down in delays for a long time. Now it appears that the two sides are nearing agreement on a development which would create many much needed jobs for Panama and be a major victory for the Government's policy of trying to diversify the economy.

Codemin, the state-owned mining corporation, and Rio Tinto-Zinc, a British company, formed their joint venture last year after the U.S. company Texas Gulf dropped its 20 per cent participation in the project. Rio Tinto has a 49 per cent share and Codemin 51 per cent in the company, Cerro Colorado.

On of the main stumbling blocks has been how to finance the project. Panama already has one of the highest per capita public sector foreign debts in the world and is anxious to obtain secure financing on the best terms. It is understood that the Canadian Export Development Bank will finance a large share of the project, perhaps as much as 50 per cent, if Panama agrees to the purchase of Canadian goods and services. The World Bank is also interested.

The copper deposits of Cerro Colorado are estimated at 1.4m tonnes, among the largest known in the world. The mine could produce 282,000 tonnes of copper a year.

The project has become controversial since environmental groups claim that the mine will poison the surrounding area and cause some 1,000 Guaymi Indians to leave their homelands. The Chiroqui area is an important one for cattle and there are fears that rivers will be polluted.

Two options open for handling bigger ships

LOOKING AHEAD

WILLIAM CHISLETT

ALTHOUGH THE Panama Canal is alive and well, it could become obsolete by the time Panama takes over control from the U.S. in the year 2000. Forecasts have been made which show that the Canal will not be able to handle world shipping demands by the end of the century, since its locks preclude the passage of ships larger than 65,000 dwt.

Increasing energy costs are making the use of large ships up to 250,000 dwt increasingly viable. At the moment such ships taking cargo from the Far East to the West have to go around Cape Horn at considerable extra cost and time. The Cape route takes an additional 13 days.

If these ships could go through Panama, either using the existing Canal or through a new route, the trade flow between Pacific and Atlantic areas would be greatly boosted to the benefit of producers and consumers.

The Government is now beginning to give serious consideration to alternatives. (The Panama Canal treaties say that the U.S. and Panama will look into the problem.)

In the words of one Panamanian Minister: "We don't want to get our hands finally on the Canal and find that it is in the same state as the railway which we now control." The Panama railway, which has been running since the 1850's when it was an important link in the route between San Francisco and New York, is a museum piece, run at a loss for the benefit of tourists.

But which is the best way to solve the problem?

There are currently two options. One involves replacing the present Canal with a sea level waterway, a mammoth and costly project which would be as ambitious a feat of engineering as the present Canal was. The other is to expand the existing canal.

The first scheme is gathering support in Japan, which of all the countries using the present waterway stands to gain the most by being able to transport cargo in much larger ships through Panama instead of going via Cape Horn.

But the sea level canal project would cost over $15bn, would take 10 years to complete, employ fewer Panamanians when it was finished and, assuming that the financing could be obtained in the first place, would never be a profitable concern unless tolls soared.

The sea level canal would cut across the isthmus from the mouth of the Rio Camito on the Pacific to the Caribbean outlet of Rio Lagarto. Some 50,000 people living in the area would be displaced.

The other plan is much simpler. The Panamanian engineering company Lopez Moreno recently finished a preliminary study showing that 250,000 dwt ships might be able to use the existing canal.

Lopez Moreno, which is proudly boasting that its $3bn alternative is "revolution," says that by lowering the Gatun Lake level from 85 ft to 50 ft and constructing two new sets of locks at both ocean terminals, large ships can use the route. A dam would also be built across the entrance to the Trinidad leg of Gatun Lake for water storage.

Work was carried out some years ago on constructing a third set of locks but the project was abandoned. Lopez Moreno says that its locks would be located in the same spot and would thus be able to capitalise on excavation work already started.

Lopez Moreno estimates that it costs a shipping company $2.4m to transport cargo in four 62,500 dwt ships from Japan to New York through the existing canal. The same load, transported in one 250,000 dwt ship via Cape Horn, costs $2.1m, although the travel time is 13 days more. If the 250,000 dwt ship could go through Panama it would cost $1.7m.

Big plans for expansion on released land

FREE TRADE ZONE
WILLIAM CHISLETT

NOWHERE IS the impact of the Panama Canal treaties more keenly felt than in the Colon Free Trade Zone, *the largest* in the Western Hemisphere. Colon, whose growth has been severely stunted for years because of lack of space to expand, is now enjoying an unprecedented boom thanks to the handing over of Canal land previously controlled by the U.S. The boom is just as well, since the long-overdue expansion now taking place may help to channel Colon's explosive social tensions into non-violent activities.

Colon, Panama's second largest city, is stuck out on a small peninsula and has long had an unsavoury reputation. One in four of the workforce is jobless. The housing for the poor is largely wooden and corrugated iron shacks and barracks erected for workers during the construction of the Canal. When I arrived on the outskirts of Colon teenaged black students had stationed their school bus across the main road, preventing traffic from entering and leaving the city for the whole day.

The students, protesting against the poor conditions in their school (40 to a class, not enough benches and books) set fire to another bus and hurled stones at two members of the National Guard who took off in their car at great speed.

Those tourists, foreign businessmen and Panamanians who wanted to enter or leave Colon had to park their cars at a suitably safe distance from the makeshift barricade and walk across to take a bus or taxi for the remaining five miles into the city. The students later abandoned their protest.

Once in the Free Trade Zone, which is walled off from the rest of Colon, the atmosphere is very different to the one just down the road. There are now 365 companies operating import-export businesses and representing 600 foreign companies. Turnover last year was $4bn. The 94-acre site, where companies are wall-to-wall, contributes 4 per cent of the Gross Domestic Product. With its modern premises, banks, excellent communications and all the bustle of free enterprise, the Trade Zone is an enclave far removed from Colon's squalid slums.

Abundant

Now more than 1,000 sq km of land have been made over to Panama—abundant room to expand. "We owned our own house, but only recently could we enter it," said Sr Hector Alexander, deputy manager of the Free Trade Zone, referring to the old pre-treaty situation. Commented another zone official laconically: "We now have control over the cemetery at Mount Hope where Canal construction workers are *buried* but it is the living we should be concerned with."

As a result of the treaties the Government has set in motion a three-pronged programme at a cost of $133.3m, over half of it financed by the World Bank and a group of Japanese commercial banks. Part of Manzanillo Bay, next to the zone, will be filled in to create extra space and jungle is being cleared for sites.

The three priorities are:

- to expand the Free Trade Zone onto 75 hectares of land;
- create an industrial park on 48 hectares;
- encourage more tourism in Colon by sprucing up old areas.

At the same time access to Colon is being improved by widening the road and money will be spent on improving the poor housing and education as well as building more air-conditioned homes for executives working in the Trade Zone.

Another idea being canvassed is *to encourage* more executives to commute from Panama City, 50 miles away, by smartening up the Panama railroad, providing a buffet breakfast and more luxurious carriages.

The overall aim is to "*integrate*" Colon, which for a long time has been effectively cut off from the rest of Panama, much more into the national economy.

To this end, great importance is being attached to the industrial park. Since many established names like Sony are already trading in the Colon Zone, the Government reasons that it is a logical step to encourage companies to import their merchandise and assemble the finished product in the industrial park, as there is now space.

Incentive

Sr Alexander said that labour *costs were lower* in Panama than in comparable areas like Hong Kong (the world's largest free trade zone) which, he said, was also becoming crowded. Tax advantages were also better and the massive international banking presence and Panama's location at the crossroads of the Western hemisphere were added incentives for businessmen to establish assembly plants.

The plants would soak up the pool of unemployed—which the Government is hoping to reduce from the present 28 per cent in Colon to 5 per cent by 1990—provide more foreign exchange, and help to diversify the service-oriented economy.

The only tax at the moment is a minute income tax (top rate 8 per cent). There is no tax on the import and re-export of goods to countries outside Panama or on remittance of dividends.

Since the treaties came into force, 27 hectares at Old France Field, formerly under U.S. control, have been developed as companies seek new space—more than half the area the Trade Zone occupies in Colon. Several foreign banks — Bank of America, Citibank, and Sociedad Banca Suiza — have set up offices in the Colon Zone over and above their presence in Panama City.

Renewed promotion drive to tap fresh markets

TOURISM
DAVID BUCHAN

JOHN KEATS (who had poetic licence in these matters) got it wrong. "Stout Cortez" never climbed a peak in Darien or any other province of Panama. Had he done so, however—and if tourism had meant anything in his day—he would have been ideally placed to scan the country's tourism potential: Caribbean and Pacific beaches lining both sides of the twisting isthmus, fishable lakes in between and deep sea "game" beyond, exotic jungle and countryside around him.

The Government is set on exploiting this potential. The political and social misfortunes of Panama's neighbours are proving a mixed blessing for its tourist industry. On the one hand they accentuate Panama's impression of stability, free of violence except for the odd mugging which makes headlines; on the other, they have markedly slowed the tourist traffic from Central American countries to the north.

As a result the Government is making renewed promotion efforts in Panama's traditional markets and seeking fresh catchment areas, in order to prevent tourism stagnating around last year's level of 390,000 visitors. After wooing more visitors to Panama, the Government's second priority is to get them to stay longer. At present the average visitor spends only 2.6 days in the country, usually a mix of business and cheap shopping without leaving the capital city.

Dr Jorge Arosemena, the tourism director, believes both goals can be achieved. *More* foreigners will stay *longer* in Panama, he says, when they realise what the country has to offer in exotic scenery and native Indian culture, for example and distractions like casinos; that it has reasonably well developed services and that most people speak some English (at least in the cities) because of the U.S. Canal and military presence and Anglophone immigration from the Caribbean.

The first problem is to get people's attention. Panama already has promotion offices in New York, Los Angeles and Miami, and Dr Arosemena has just hired new U.S. public relations consultants. He declared himself astonished to learn on taking over his job three months ago that Panama did not have a single office in neighbouring Columbia, despite the fact that for the past two years that country has provided more visitors to Panama than any other (*75,000 last year*). He is opening three offices there, in Bogota, Cali and Medellin, and one in Venezuela.

He sees South America as the new growth point for Panama's tourism, particularly as many well-to-do South Americans want a convenient haven for salting away their money. Moreover, Panama has become an even more attractive shopping place *for consumer durables* since countries like Argentina have recently liberalised their import rules.

Troubled

Such growth could more than offset the decline in visitors from Central America, where the biggest drop has been from Costa Rica — troubled by inflation and economic problems as well as incipient political tension. Ironically, the number of visitors from El Salvador, though small in absolute terms, rose quite sharply last year, presumably because Salvadorans have been seeking a hiding place for their money.

But Panama cannot afford to neglect the North American market, where U.S. interest in Panamanian holidays has stagnated during the long years of the Canal treaty negotiations. In particular, Americans are ardent conventioneers and, with a beady eye on this, the Panamanian Government is just completing a $40m convention centre, known as the *ATLAPA*, for Atlantic-Pacific, right on the shore line in Panama City. This is a big investment for a small country. Although ATLAPA's big (and perhaps over-ambitious) theatre is not yet ready, the centre's exhibition hall has been playing host to conclaves of trade associations (Latin American dentists and their ilk) for 18 months now.

But a particular problem now surrounds American use of such convention centres outside the U.S. This is a recent law passed by Congress, which sets limits on the ability of Ameri*cans and U.S. businesses to de*duct from U.S. taxes the business cost of holding conventions outside the U.S. itself, or Mexico and Canada. Various countries, especially Jamaica, have been lobbying hard for this law to be changed since it has an obvious deterrent impact on their U.S. tourist business. The Panamanian Government has been quietly pushing for a change in the law, with a chance of success, it believes, but that would entail action by Congress, an infinitely tougher customer than even the U.S. Internal Revenue Service.

The next problem is how to get tourists to Panama relatively cheaply in these days of ever-rising fuel costs. Hitherto Panama has not been well served by charter flight operations. But Sr Arosamena hopes this will change with Panama's new membership of the Caribbean Tourist Association (CTA), an organisation with a considerable promotion network in the U.S. and Europe and some *clout with airlines in the package tour business. Another* plus is the fact that Eastern Airlines is due to start direct service from Atlanta to Panama this summer.

Once ferried to Panama—perhaps by boat or car, but more probably through Panama City's new Tocumen airport — the visitor needs a place to stay in the capital before he or she branches out anywhere else. The current high occupancy ratio of Panama City's hotels, 79-80 per cent, is a reflection of the present shortage of hotel capacity, which has approaching 2,000 "first class beds," to use the jargon of the tourist trade. Sr Arosemena's estimate is that with the Atlapa alone, this may have to be nearly doubled with an additional 1,500 beds. In fact Marriot (which is already building one hotel near the convention centre) and Sheraton are bidding to supply most of these extra beds in hotels that would be built out into Panama City's bay.

Skewed

The land these hotels would be built on is in the former Canal Zone, which has now been handed over to the Government. Like his colleagues in the Government, Sr Arosemena is enthusiastic about the prospects that this "new land" provides for the economy's development. Panama City's growth, he notes, had been awkwardly skewed in a ribbon along the coast because expansion inland was blocked by the U.S.-held Canal Zone. Likewise, in Colon itself disappearance of the zone now offers more *land to spread over.*

From Panama City to Colon takes about 1½ hours by car. Far more pleasant, however, is to take the same time and do the journey by the antiquated train (at the antiquated price of $1.75, too). The railway is now in Panamanian hands, as the sign at the Panama Station grandiloquently reminds: "Along the rails of history advance the wagons of liberty."

Traversing jungly swamp and offering some magnificent views of the adjacent canal, the railway, it is said, cost the life of one navvy for every sleeper its rails rest on. This is allowable hyperbole. The Mount Hope cemetery at the Colon end shows the appalling toll that malaria and yellow fever took. All this may be soon recorded on celluloid. As this survey goes to print, Carlo Ponti, the Italian film maker, was preparing to make a docu-drama of the Canal's history, with his wife, Sophia Loren, starring as a French nun who lived to tell the tale.

But for Panama's tourism to develop it needs to expand beyond the Panama City-Colon axis. The country's roads are not of the greatest quality or the most extensive. There is still a gap in the Pan-American *highway* (supposed to run one day clear from Alaska to Argentina) in Panama's Darien province. This is partly due to the jungle terrain, largely virgin, and partly because the U.S., which is financing the bulk of the international highway, is *reluctant* to end *the natural* break provided by Darien against the northward march of "foot-and-mouth" disease which is endemic in Columbia and to the south but without a serious hold on Central American livestock.

Nevertheless, a very pleasant Sunday trip can be taken west on the completed highway, out of Panama City, and towards Costa Rica, towards the highland market town of El Valle. Be sure, during the April-November rainy season, to get there by mid-morning, when a pelting shower usually brings the market to close. If you get there in time, you can buy, at rural prices, some magnificent Panamanian handicrafts, particularly the weird, naive *molas which are unique to the country.*

For the anthropologically inclined, a day trip to the San Blas Islands is rewarding, as the Indians there have seen the Spaniards and English, pirates and buccaneers, come and go, but retained their distinctive culture. The would-be jetsetter might want to head in the opposite direction—to the Islas Perlas, or the Pearl Islands. One of these Pacific islands, Contadora, is a fully developed resort — but better known, perhaps, as one of the final temporary places of exile of the late Shah of Iran.

More tonnage joins fleet register

SHIPPING
DAVID BUCHAN

PANAMA HAS the nominal responsibility of administering the world's fifth largest fleet of ships—no small duty in theory for a small country but one that brings practical dividends. Panama has maintained an open registry of *ships since 1925 and the fleet* that now bears its flag totals some 6,000 ships of 30m gross tons. Registry fees brought $25.2m directly into the country last year, with attendant indirect business flowing to its lawyers and other professional services.

The growth in Panamanian registry continues. In the first four and a half months of 1981 a further 430 ships of 2.9m gross tons signed on. As Panamanian shipping officials note with satisfaction, the increase on their registry has been in the bigger ships; in the corresponding months of 1980 468 ships joined but aggregated only 1.9m gross tons. Allowing for deregistration the net increase in Pana*manian tonnage so far this* year is actually 2.3m tons.

Dr Hugo Torrijos, director-general of SECNAVES, which runs the shipping registry, reads three leading motives in shipowners' minds for wanting their ships to fly the Panamanian flag.

First, Panamanian registered ships can use crews of any nationality. There is admittedly a theoretical require*ment that such ships*, or Panamanian fleets under common ownership, hire a tenth of their crews from Panama, but since there are not enough Panamanians to go round and certainly not on distant routes —between, say, Tokyo and Singapore—this is not rigidly enforceable.

Secondly, there are the obvious tax advantages for shipowners in holding their *profits in tax-exempt* Panamanian holding companies. Thirdly, Panama makes it relatively easy for them to register and de-register ships.

Dr Torrijos concedes that Panama has had a past reputation for running its registry in a less than rigorous way but maintains that in the past five years has taken serious steps to improve its image. It has taken a more serious attitude *to issuing sea-worthiness* certificates and now with the help of the Intergovernmental Maritime Consultative Organisation (IMCO) runs a worldwide net of inspectors in major ports, co-ordinated by computer out of New York.

From this year on it requires all new licences for officers to be issued out of Panama, not just by Panamanian consulates abroad. It has also struck from its books foreign-owned yachts under 20 metres or 50 tonnes because of their track record of involvement in the smuggling of drugs and con*traband*.

Shipowners discouraged by this tightening-up will, *Dr* Torrijos believes, be more than offset by new applicants attracted by Panama's other advantages to reputable shipping companies. These include association with Panama's deep-water ports, the Canal, the Colon Free Trade Zone and its financial centre, which incorporates a *growing* re-*insurance* business.

Panama also has a home-grown shipping industry, tied to commercial fishing. It has, for instance, some 290 deep-sea shrimp boats that catch a big haul for North American dinner tables and earn $30m-$40m a year in exports. Other big customers for the fishing catch are in Central America, where Panama's fishing industry is *predominant*. Panamanian sardines, for example, are a Salvadoran staple. Luckily, corvina, a delicious local Pacific fish, is kept mainly for domestic consumption.

The big prices are to be found in the U.S. market, however, and U.S. companies are quite heavily involved in the Panamanian shrimp industry, centred on the brand new ports of Vacomonte and Chiriqui. Ralston Purina, for instance, the giant U.S. food-processing company, has set up special facilities in Panama in search of the "super shrimp." It is experi*menting with various sub*stances to feed to the larvae of pregnant shrimp.

General Torrijos - quiet strong man

PANAMANIAN OFFICIALS like to claim that General Omar Torrijos, the country's ruler since the 1968 coup, has "retired from public life." What they mean by this euphemism is that Gen Torrijos, commander of the National Guard, has been keeping a much lower profile since he stopped being head of government ("maximum chief" according to the constitution) in 1978 and gave his hand-picked President, Dr Aristides Royo, a degree of autonomy.

Most of the photos showing the general in field uniform with a large pistol slung by his side have disappeared from ministries. But he is still very much the power behind the throne. While his hand may not be seen in the Government and he is making increasingly fewer public appearances, "nobody does anything in Panama without Torrijos knowing about it," to quote a high Panamanian official.

Gen Torrijos is one of the more fascinating and charismatic characters in Latin America. Part of his appeal lies in the fact that he is not a man to be pigeon-holed and is not a typical stiff-lipped military man. His military life has given him a strong sense of discipline and duty but it is well known that, when "maximum chief" he found the tasks and protocol of being head of government irksome.

He has stood up to Uncle Sam, particularly over the Panama Canal treaties, to the praise of most of his countrymen, but it would be simplistic to describe him as anti-gringo.

His enigmatic character can be judged from his choice of friends, such as the late John Wayne, Graham Greene and Fidel Castro, who, it is said, sends the general Havana cigars with a special wrapping—though Torrijos's name, although the supply may have stopped as of late because of anti-Cuba remarks made by Gen Torrijos.

Gen Torrijos has kept many people guessing as to what he really thinks and this is still very much the case. The latest, and most interesting, question which many Panamanians are asking themselves is whether Gen Torrijos will run for President in 1984 when the first free elections will be held since 1968.

The consensus is that he has no ambitions whatsoever to return to open political life, but that he could still change his mind. Apart from his lack of enthusiasm for the duties of state, he is also reportedly not in very good health.

The general's pragmatic nature has helped him to win the support of Panamanian politicians right across the national spectrum. "Torrijos can have breakfast with the capitalists and dinner with the Communists and leave both of them happy," said one prominent Panamanian.

The General's enemies admit that he is a "*dictablanda* (a play on words meaning literally "soft dictator") and not a "*dictadura*" ("hard dictator").

Gen Torrijos, aged 52, was born in rural Panama, the son of teachers. He attended the military academy in El Salvador and courses on counter-insurgency at the U.S. School of the Americas in Panama.

He rose through the ranks but did not play a key role in the coup against the 11-day-old Government of Dr Arnulfo Arias. However, by 1969 he was an important figure and he moved against the National Guard's commander in a palace coup forcing him into exile in the U.S.

Later that year, while he was attending the horse races in Mexico City, a group of colonels took advantage of his absence and advised him to stay out of the country. The General did not heed their warning. Instead he returned in a private plane provided by Nicaragua's dictator, Gen. Somoza (one of history's ironies since 10 years later Gen. Torrijos played a major role in helping the Sandinistas to overthrow Somoza). He landed in his home area and made his way towards Panama City, gathering support. Since then he has not looked back.

Now he divides his time between his home in Panama City, a beach house and another home in the mountains, commuting by helicopter, and receiving many people but rarely appearing in public. He tends to travel abroad more, as he likes to play an international rather than local role.

His last notable public appearance in Panama was in April when he named a hill overlooking the Canal and the proposed site of a new sea-level waterway after Japan's octogenarian Chamber of Commerce president, Schigeo Nagano, the founder of Nippon Steel. Mr Nagano is actively promoting the idea of a new canal.

Gen Torrijos has become so reserved that when he wanted to express his recent disillusionment with Cuba for fostering revolutionary movements in Central America, he fed his views to the Spanish news agency EFE but under the guise of "a high Government official" and not in his own name.

William Chislett

Still the problem child of the economy

AGRICULTURE

WILLIAM CHISLETT

FOR THE past decade Panamanian peasants have been the "favourite sons of the revolution" in the words of a rhetorical slogan used after the bloodless 1968 coup. This may be so, but the agricultural sector is still the problem child of the economy despite the fact that some two-thirds of total merchandise exports come from the countryside, mainly bananas, sugar and coffee.

Cattle farm in the highlands

Agriculture employs about a third of the labour force, but contributes only 14 per cent of the Gross Domestic Product. When the coup took place, 52 per cent of the 1.4m population lived in rural areas. Now less than half of the 1.8m population live in the countryside since the migration to Panama City and Colon, the two urban areas, has not been stemmed.

According to the Interamerican Development Bank, Panama had the lowest agricultural growth of any country in Central America from 1970 to 1975. Since then, the country's per capita production has been declining. Panama's productivity yields are also among the lowest in the region, where output is low anyway. After several years of self-sufficiency in rice, a basic foodstuff, Panama will need to import rice again this year.

In short, increasing amounts of Panama's hard-earned foreign exchange (imports are three times higher than exports) go to pay for food imports for the rising population.

The list of woes is long and the causes varied but nobody disputes that Panamanian agriculture leaves a lot to be desired.

The banana industry was developed long before the coup and remains an enclave in the economy. The industry is still very much under the control of United Brands, the U.S. multinational whose subsidiary in Panama, the Chiriqui Land Company, has been operating in the country since the end of the last century. Production of bananas this year is estimated at 35m-40m boxes compared with 34m last year, when production was hit by storms.

Exceptions

The fishing industry is another emerging with a bright future. But apart from these two exceptions, the general agricultural picture in Panama is poor. Why is this problem persisting despite greatly increased efforts?

With hindsight it is easy to criticise the agricultural programme which arose after General Torrijos came to power —a programme, it is only fair to state, whose philosophy was both appealing and understandable.

Gen Torrijos, himself a country boy from the deprived province of Veraguas where he gained first-hand experience of rural poverty, decided to open up new areas, boost Government credit to the peasants as well as making over tracts of land to them and generally to promote agricultural development. His reasons were both political and economic. He needed a wider political base and he recognised the country's structural imbalances.

The thrust of the programme was the creation of *asentamientos*, co-operative farming operations on state-owned land, some of which was expropriated from private farmers. Almost 300 were created, employing less than 10 per cent of the rural labour force and occupying a similar proportion of arable land.

But the amount of time put into them by the Government was out of all proportion to their role in the economy. It is estimated that Government officials involved in agriculture spent three quarters of their time on the co-operatives, but since they had neither the expertise nor the necessary technology their efforts were not rewarded with higher output. Meanwhile private farmers felt disillusioned and neglected.

A lot of money was channelled into the co-operatives but it was not used productively. The peasants themselves, in line with their innate conservative nature, also tended to spend more time on land which was their own than on the co-operatives.

Moreover, instead of encouraging production by settling the problem of land ownership, admittedly a volatile issue all over Latin America, the Government has left the issue alone for fear of stirring up a hornets' nest of complaints. General Torrijos probably found it easier to maintain political control by not granting land titles since that way the authorities had more leverage over the peasants.

The Government also maintained guaranteed prices for the main crops from 1976 to the beginning of 1980, a period during which input costs and labour costs rose fairly substantially.

The freeze on guaranteed prices followed a period in which they were increased, particularly for rice. Because of the lack of co-ordination, however, this led to a ridiculous situation in which rice production exceeded demand and the surplus was left to rot in warehouses. Now the wheel has come full circle and some rice is being imported.

The upshot of all this on a national basis has been falling production. On the state-owned farms output has been poor and on the private farms production declined because of the lack of incentives.

Recently there has been some talk of changing or modifying the system of co-operatives. The private sector believes that increased incentives is all that is needed to raise production. "There are incentives for the banks and they are booming and incentives for the Colon Free Trade Zone and that is booming. So why not incentives for agriculture?" said one prominent businessman. The Government's problem is to strike a balance between the public and private sectors so that production does increase.

Dr. Arnulfo Arias

Octogenarian Dr Arnulfo Arias has been president of Panama three times, for a year in 1940, 17 months in 1951 and just 11 days in 1968, and each time he was ousted by the National Guard after trying to change the high command. Such is the man's amazing tenacity that he does not rule out the possibility of aspiring for a fourth term of office.

Exiled for 10 years in the U.S. after the 1968 coup which brought General Torrijos to power, Dr Arias, the legendary head of the conservative nationalistic Panamenista party, has not yet given up. He is still an active force on the political scene as it moves towards presidential and general elections in 1984, the first since 1968.

Dr Arias came from a poor rural background and through a mixture of hard work, acute intelligence, political conniving and ruthlessness achieved the highest office in the land. He is adamant that if he ever became president again he would have another go at removing "those officers who are using the institution of the National Guard to further their own ends," as he told me.

Countryside

Remarkably fit and alert for his age, Dr Arias tends to divide his time between the same home in Panama City which he had before he went into exile and his coffee plantation in the countryside where he still loves to ride.

His Panama City home, in a smart district of the capital near the golf course, has a rarified atmosphere. Outside the high-walled house in a quiet lane there are two bodyguards in a parked car. Both the main gate and front door are made of thick steel.

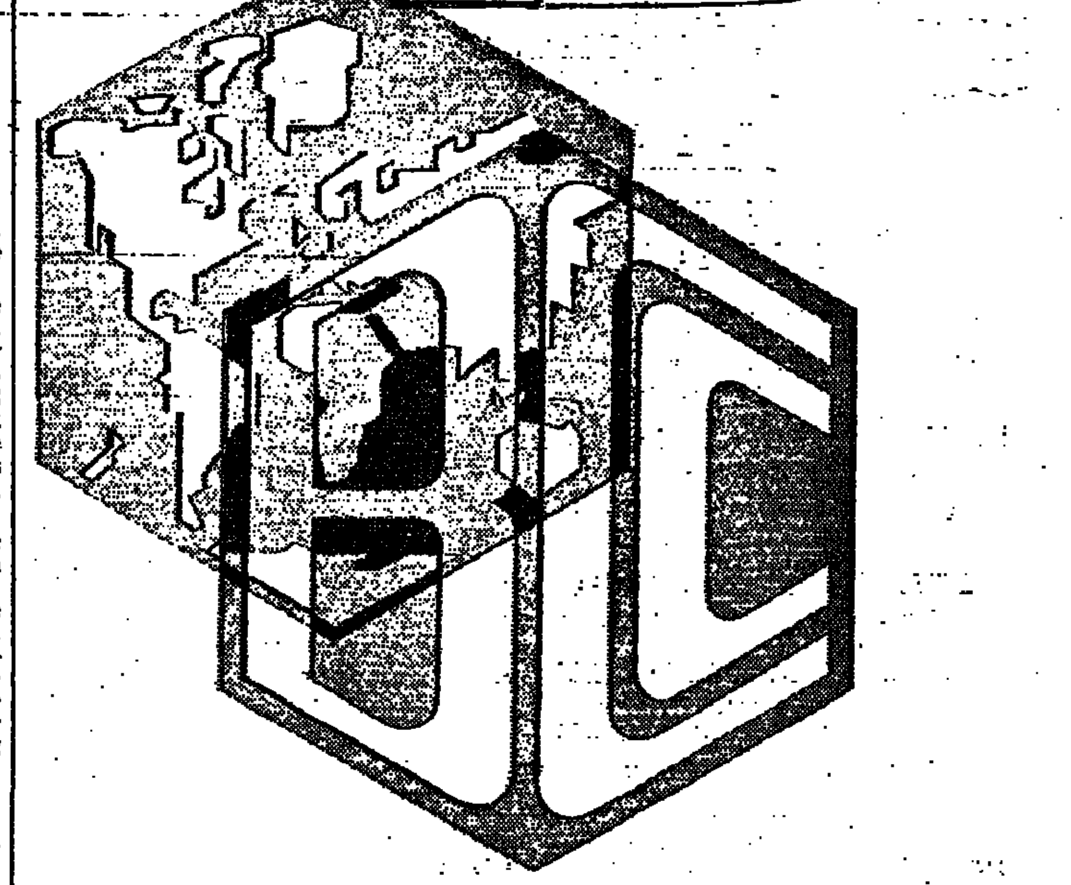
Inside, the living room is lined with bookshelves and photographs including one, presented in May by a special messenger from the White House, of President Reagan dedicated to "Dr Arias with my regards." Mr Reagan and Dr Arias are old friends.

When I asked Dr Arias what was the significance of the photograph he smiled and said that I could place what interpretation I liked on the gift. The Panamanian newspaper YA which supports him printed the photograph with the heading "No Comment."

"If there are no elections here soon; before 1984; there will be chaos," he claimed. "The people are hungry for freedom." The Panamenista party is refusing to register itself as a political party for the 1984 elections because this would endorse the Government, said Dr Arias. He refuses to recognise the legitimacy of the administration.

Dr Arias wants a new constitution and elections before 1984. Would he run for the presidency? "It is like flying a kite," he said. "I would only do it if the circumstances were right, if the elections were really free and the country wanted me." There does not seem to be a prevailing wind to launch him.

William Chislett



The real lessons of Warrington

BY PETER RIDDELL

WARRINGTON IS about to suffer that most bizarre of contemporary fates—saturation media coverage. The nightly television shots of Roy Jenkins making his imperial progress down Suez Street into Cairo Street are likely to obscure rather than to clarify what is actually happening in the town; and in much of the rest of Britain.

The real lessons are only indirectly political, though they counter many popular myths about Britain. The first and overriding point is that despite the depth of the recession there is an affluence undreamt of 20 or 30 years ago. A busy new shopping centre implies a degree of prosperity which the prophets of gloom ignore. There are no obvious signs of poverty, though the long-term unemployed will clearly face increasing hardship. For those in work the "you've never had it so good" era is now, not in the past.

Second, Warrington is now a much pleasanter town in which to live than it was for generations. Clean air legislation has removed most of the smog and grime so familiar up to the 1960s. Most of the slums have gone and, while much of the remaining terraced housing dates from early this century, it is of good quality.

Gains

These gains now tend to be taken for granted but they suggest that comparisons with the 1930s are false.

Third, talk of the creation of an industrial wasteland north of Watford is absurd. Warrington like so many other towns has certainly faced a major factory closure (British Steel) and other cutbacks—leading to 3,000 redundancies in the last year out of a workforce of 70,000 and a doubling in unemployment to 8,150. But in the last year more than 5,500 people have been placed in jobs by the local Employment Office.

Warrington is also better off than many of its neighbours in having a highly successful New Town which has created 1,650 new jobs in the last year.

Fourth, new businesses are also being created. In his eagerness to find the embers of capitalism Sir Keith Joseph wrote around the New Towns asking about entrepreneurs — defined as sole traders or companies in which one individual has a majority shareholding. In Warrington, the Development Corporation replied that until recently most units had been taken by established companies but there has now been a change with more interest from entrepreneurs.

Out of 200 companies on the estates, 27 are of the entrepreneurial type (16 setting up as new firms).

On the other side it would be wrong to underestimate the problems caused by the recession particularly for young people and for male manual workers made redundant by manufacturing companies. There is no likelihood of similar alternative employment and there is a major problem of adjustment of expectations for such workers.

Unshaken

The political implications are less clear-cut than might be assumed in London. The Tories are certainly very unpopular because of the shock of high unemployment but the Social Democrats are not automatic beneficiaries. Warrington is a town where Labour's ability to deliver the goods has not been shaken and where Bennery seems a long way away.

Moreover the parliamentary constituency excludes the owner occupiers of the New Town and consists primarily of working-class manual workers, concentrated in an area with only 44,000 voters.

The danger is that these facts will be ignored in the media bonanza of the by-election (which may incidentally benefit the SDP). Just as in U.S. primary elections, unrealistic expectations may be built up about the result—assertions that either Roy Jenkins wins or else the Social Democrats have suffered a big defeat. This is nonsense; he will do well to get, say, two-fifths of the votes. Obviously the by-election is significant as the first test for the SDP, but it should not be over-rated.

The everyday life of the town of Warrington may have more lessons for the rest of Britain than its voters.

Using the magic of cinema

FILM AND VIDEO

BY JOHN CHITTOCK

IN 1981 it is easy to forget that the outstanding quality of the cinema which made it the great new medium of the 20th century was its magic. The dark and cosseted environment; the manipulation of reality; the mutation of movement, music and sound into a new experience; this was the cinema which captivated a whole generation of people.

Such qualities were quickly exploited by industry, using the same magic in public relations, selling, training and labour relations. If the purposes have been less exciting in industry, the creative achievements have been no less worthy for all that — with all-time classics such as Robert Flaherty's *Louisiana Story* (sponsored by Standard Oil), Saul Bass's *Why Man Creates* (Kayser Aluminium), Bert Haanstra's *Glass* (Royal Leerdam), Lindsay Anderson's *Everyday Except Christmas* (Ford), and so on.

The past tense is regrettable but inevitable in this introduction because it is not like that any more in industrial films, and some might say in the commercial cinema, too.

The names of contemporary sponsored film-makers are not remembered with the titles of their films because (with three or four exceptions) their films are barely memorable. It is just part of the functional society syndrome — like modern architecture, fast food, even video.

For me, a flash of the old magic was created last week when the Cement and Concrete Association — once a prolific sponsor of films — premiered what may be one of the last of a dying species: a 35mm production with the kind of style, craft and confidence that was once so special to the cinema. Clumsily titled *Concrete is . . .*, and aimed at the lay public, this is an old-fashioned sponsored film of the kind they don't make any longer.

It is a pictorial essay on the social, technical and economic virtues of concrete — beautifully photographed, skilfully edited, and wedded to an outstanding sound track in which the music enhances the picture and the sound effects are realistic; when we see a rough sea, the noise is frightening.

In fairness to the film-maker, I should identify him as one of the few whose name in the last decade has been associated with some memorable films—John Armstrong—although it would be invidious to go on and name the other two or three.

Yet this film will fail to be a classic because its message and its intellectual content are no match for the fabric. In essaying the merits of concrete, it skirts the really controversial issues, dodges the questions which may prevent concrete from being an automatic choice of material, and in the end has little to say that is not platitudinous. What a pity!

Television has conditioned us all now to expect stronger stuff; an investigative style; and, in documentary, a taut purpose. Qualities for which, in the new era of sponsored films, loose scripting and sloppy camerawork frequently try to pass. Yet the old magic of the cinema can give way to the style of TV without loss—if it is done well enough, as another premiere in London last week demonstrated.

This was the latest from the Health and Safety Executive—an organisation with an excellent track record in film sponsorship. Titled *Old Habits Die Hard*, this has as its specific target the foundry industry and its disturbing record in accidents and health hazards.

The style is that of the TV current affairs documentary, with an anchor man, an audience of foundry workers, and frightening accident sequences in foundries and on test benches. Using life-size models of people, some actual accidents are horrifically re-created; a retired foundry worker now suffering severe respiratory illness caused by dust tells his story; early group photographs reveal some of his comrades who have died from industrial diseases.

For television viewers, the method and the idiom are familiar stuff—but it is a style that the sponsored film so rarely uses well. In this case, it is done with great professionalism and in consequence makes its mark.

Yet with the rise of video as a production medium for industry, the style of the television documentary is increasingly imitated very badly—often to the point of seeming almost amateurish.

Viewing on my own TV screen a videocassette made for Cleveland Offshore — *Into the Eighties*—the comparison was inevitable. This is a programme about a new construction works for offshore oil platforms which is now operating at Port Clarence. But judged by the standards of a *Panorama* or *World in Action*, which I regularly see on the very same television set, this programme looks tenth-rate. If the comparison seems an unfair one, it is inevitable.

Much better, although still short of the high standards television viewers expect, is *The Fall and Rise of the Construction Industry* — sponsored for Freeline Plant, which distributes the Swedish Aliclimber construction platform. This device, which replaces conventional scaffolding in building work, is rather like an instantly-assembled window cleaners' cradle — climbing up vertical rails temporarily fixed to the sides of the building.

This lucid video programme has been produced with great professional polish, and because it does not attempt to imitate a TV documentary — it is a straight selling programme — there is no tendency to compare it unfairly with the superior output of broadcasters.

Yet that hazard is always present, and video programmes can at times look quite appalling. Because we see them on television screens, it is difficult to make allowance for their more modest purpose.

As an example of the dangers, I suggest that anyone in London's Berkeley Square area should look at a certain estate agent's window. One display in this up-market property district has a videocassette recorder repeatedly showing views of property which the agent has for sale; the quality of the gloomy, badly-photographed shaky images which I briefly saw was enough to repel me and speed me on my way.

Praise indeed, then, to the National Audio Visual Aids Centre in London which is going to run a residential course from June 29 to July 3 on the subject, "Selling Property by Video." This kind of practical training is urgently needed before video gets a thoroughly bad name.

In my search for the old magic, not even the revered name of Shell was able to give my fortnight's viewing a lift. To be genealogically correct, the film to which I refer — *The Balancing Act* — comes from Shell UK, whereas the Shell film tradition had its roots in Shell International.

None the less, *The Balancing Act* — a film about the technical, economic and political planning that is needed in balancing supply and demand in oil—is dull by any Shell standards. With its dependence on stilted talking heads, perhaps the unkindest thing I could say is that it narrows the gap between film and video.

There is nothing wrong with talking heads, nor with the transition to television styles. But for British viewers at least, the broadcasters do it so well, so very well, and this is the standard by which it will all be judged.

If the magic of the cinema is waning, the lively reality of television is appropriate to the times. But only for those who can make it lively and endow it with reality.

Integrity shows rising virtue

RACING

BY DOMINIC WIGAN

WE SHOULD know by this evening whether John Dunlop's Castle stables at Arundel (numerically the strongest in the country) is, at last, beginning to shake off its virus.

The 130-strong stable, which had three representatives at Lingfield yesterday, fields possible winners there today in Runnett and Comedian.

Runnett, among the runners for the £10,000 added Leisure Stakes, secured a 9 st 1 lb rating in last year's second season free handicap and was considered behind only Moorestyle, Sharpo, African Song, Kearney, Hard Fought and Dalsaan among the sprinters.

If he is back to his best, this tough four-year-old who was probably feeling the effects of the virus when only fifth in the Palace House Stakes at Newmarket, will present problems for his rivals.

Anyone in search of a comparatively unexposed three-year-old to surprise the established sprinters—including Kearney and King Of Spain—in this event could do worse than consider Integrity.

She meets the leading sprinters here on a stone better than weight for age terms.

Patrick Haslam whose 7-4 chance, Black Mike, was the subject of a dope test initiated by the stewards following a 12-placed run at Epsom on Saturday, has bright hopes of better things at Hamilton this evening.

Haslam, for whom Rambora Again scored on the corresponding even a year ago, will be attempting to open his score on the Glasgow track through La Babooshka in the Tennent Maiden Stakes.

A half-sister by He Loves Me to a useful winner for Haslam in Bohemian Rhapsody, La Babooshka is clearly not without ability judged on her recent second-placed effort behind Silojoka at Windsor.

La Babooshka is given a confident vote as is Spanish Fastnet, among the runners for the Saints and Sinners and Allander Maiden Stakes later in the evening.

LINGFIELD
3.00—Mistress Gay
3.30—Integrity*
4.00—Jo-Jo San
4.30—Rosaceae
5.00—Goody Goody

HAMILTON
7.00—La Babooshka***
8.50—Spindrifter
9.20—Spanish Fastnet**

TV/Radio

BBC 1

6.40-7.55 am Open University. 9.05-11.37 For Schools, Colleges. 1.12 pm Regional News for England (except London). 1.15 News. 1.30 The Flumps. 2.00 You And Me. 2.14 For Schools, Colleges. 3.20 Pobol y Cwm. 3.53 Regional News for England (except London). 3.55 Play Schools. 4.20 Jana of the Jungle. 4.40 The Record Breakers. 5.05 John Craven's Newsround. 5.10 Ask Aspel.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.55 Taxi.
7.20 The Tuesday Film: "The Brain," starring David Niven.
9.00 News.
9.25 Miss Europe 1981.
10.15 Goodbye Darling . . .
11.05 Platform One.
11.35-11.40 News Headlines.

All Regions as BBC1 except as follows:

Cymru/Wales — 5.10-5.40 pm Bilidowcar. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 11.35 News Headlines. News and Weather for Wales.

Scotland — 1.10-1.15 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.05 Sportscene Special: Rugby Union, Canterbury v Scotland (highlights); Shinty: The Camanachd Cup Final (highlights). 12.05 am News and Weather for Scotland.

Northern Ireland — 10.38-10.58 am For Schools (Ulster in Focus). 3.53-3.55 Northern Ireland News. 5.55-6.20 Scene Around Six. 1.05 Oratorio. 11.55 News and Weather for Northern Ireland.

England — 5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.30 Supervisors.
11.00 Play School.
4.50 pm Open University.
6.55 The Great Egg Race.
7.25 Mid-Evening News.
7.40 Images of War.
8.00 Hindsight: Eric Robson talks to Tom Jackson.
8.30 The Theatre Quiz.
9.00 The Family Brown Entertains.
9.30 Maybury.
10.20 Top Gear.
10.50 Newsnight.
11.35 The Old Grey Whistle Test.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus Summer Season. 2.45 The Spoils of War. 3.45 Square One. 4.15 Tweety Pie. 4.20 Razzmatazz. 4.45 Ace Reports. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Mind Over Matter.
7.30 Charlie's Angels.
8.30 Thicker Than Water.
9.00 Madge.
10.00 News.
10.30 Where It Matters.
11.30 Rockstage.
12.25 am Close: Sit up and Listen with Paul Johnson.

All IBA Regions as London except at the following times:

ANGLIA

12.30 pm Gardening Today. 1.20 Anglia News. 6.00 About Anglia. 7.00 Enterprise. 11.30 Tenspeed and Brown Shoe. 12.25 am Fresh Voices.

ATV

12.30 pm Gardening Today. 1.20 ATV News. 3.45 Mind Over Matter. 5.15 Happy Days. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 11.30 ATV News. 11.35 Paris.

BORDER

1.20 pm Border News. 5.15 Benson. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 11.30 Border News Summary.

CHANNEL

12.30 pm Gardening Today. 1.20 Channel Lunchtime News, What's On Where and weather. 6.00 Channel Report. 7.00 Welcome Back Kotter. 10.28 Channel Late News. 11.30 Commentaries et Previsions Meteorologiques.

GRAMPIAN

9.25 am First Thing. 12.30 pm Mind Over Matter. 1.20 North News. 6.00 North Tonight. 7.00 The Entertainers. 7.30 Chips. 11.30 North Headlines. 11.35 Police Surgeon.

GRANADA

1.20 pm Granada Reports. 3.45 Patterns. 5.15 Mork and Mindy. 6.00 Granada Reports. 6.25 This Is Your Right. 7.00 Emmerdale Farm. 11.30 After All That, This. 11.40 Bluey.

HTV

12.30 pm Mind Over Matter. 1.20 HTV News. 5.15 Hare Remover (cartoon). 5.20 Crossroads. 6.00 Report West. 6.30 Different Strokes. 7.00 Emmerdale Farm. 7.30 B.J. and the Bear. 10.28 HTV News. 11.30 Music in Camera.

HTV Cymru/Wales—As HTV West except: 12.00 Poli a Pili. 12.05-12.10 pm Calimero. 4.15-4.45 Camigam. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30 Cefn Gwlad. 11.45-12.15 am Where It Matters.

SCOTTISH

12.30 pm Gardening Today. 1.20 News Headlines and road and weather report. 3.45 Mind Over Matter. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Job Spot. 6.30 What's Your Problem? 7.00 Take the High Road. 7.30 Vegas. 11.30 Late Call. 11.35 Tennent's Golden Arrow Darts.

SOUTHERN

1.20 pm Southern News. 5.15 Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day. 7.00 Emmerdale Farm. 7.30 Vegas. 11.30 "The Hunted" starring Edward Woodward.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 5.15 The Electric Theatre Show. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life with Tom Coyne. 7.00 Emmerdale Farm. 10.30 North East News. 11.40 Next Step Beyond. 12.00 The Mysterious Power.

ULSTER

1.20 pm Lunchtime. 3.45 Mind Over Matter. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.30 Bygones. 7.00 Emmerdale Farm. 10.29 Ulster weather. 11.30 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 Westward News Headlines. 6.00 Westward Diary. 7.00 Welcome Back Kotter. 10.31 Westward Late News. 11.30 Faith for Life. 11.35 West Country weather and shipping forecast.

YORKSHIRE

12.30 pm Square One. 1.20 Calendar News. 3.45 Calendar Tuesday. 5.15 Bless Me, Father. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 11.30 Pavilion Folk.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92.95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
				London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡Medium Wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Talkabout with Adrian Love. 8.00 Richard Skinner. 10.00-12.00 John Walters (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm The Ed Stewart Show (S). 4.00 Steve Jones (S). 5.05 News and Sport. 6.00 David Symonds with Much More Music (S). 8.00 Hubert Gregg says I Call It Genius, Louis Armstrong (S). 9.00 Marching and Waltzing (S). 9.55 Sports Desk. 10.00 Funny You Should Ask. 10.30 The Spinners and Friends. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour with Sheila Tracy (S). 2.00-5.00 You And The Night And The Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composers: Henry and William Lawes (S). 9.35 Cummings String Trio (S). 10.40 Bournemouth Sinfonietta (S). 12.00 Brahms Ensemble: Chamber music recital, part 1 (S). 1.00 pm News. 1.05 Six Continents. 1.25 Brahms Ensemble Recital, part 2 (S). 2.10 Music for Tenor and Harpsichord (S). 2.50 Colonne Orchestra. 3.40 Piano Music (S). 4.25 Jazz Today (S). 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 Pacman...ov (S). 7.30 Llandaff Festival concert, part 1 (S). 8.25 Lone Travellers. 8.45 Llandaff Festival, part 2 (S). 9.30 Zbigniew Brzezinski in conversation with Michael Charlton. 10.30 Jazz in Britain (S). 11.00 News. 11.05-11.15 Hotel (S).

VHF only—Open University: 5.55-6.55 am and 11.15 pm-12.55 am.

RADIO 4

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London Broadcasting

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Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen. 1.00 First Report. 1.10 Mike Allen (continued). 3.00 Roger Scott. 6.30 London Tonight. 8.30 Nicky Horne (rock music). 10.30 John Sachs's Late Show. 12.00 Midnight Special.

F.T. CROSSWORD PUZZLE No. 4,589

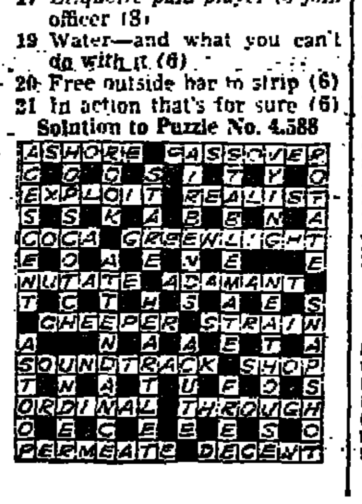
ACROSS

1 Follow ducks to the German social reformer (2-6)
5 Plane's master returned discarded goods (6)
9 What has a bearing on transport costs (8)
10 Pole given inferior part (6)
11 Express wrongly made to give gallery the go-by (8)
12 Blended corn with it in fruit (6)
14 On good terms with worker completely under control (4, 2, 4)
18 Interest guide in reciprocity at bridge (6, 4)
22 Childish authorisation (6)
23 A lot of troops vote (8)
24 Turn out born lightweight (6)
25 Spot on current junior minister (8)
26 Singer pools chance (6)
27 A short course initially finished Rose (8)

DOWN

1 Month to get current run off (6)
2 Rig has become kind of flashy (6)
3 First musical work consumed by drug (6)
4 Watch signal that could make a change (5, 5)
6 See it run potentially hungry (8)
7 Team actually existing of stars (8)
8 Jolly about notice getting in a pickle (8)
13 Small scale show jumping (4, 6)
15 Adverse comment—but not for stonewalling (8)
16 Striking position (8)
17 Etiquette paid player to join officer (8)
19 Water—and what you can't do with it (6)
20 Free outside bar to strip (6)
21 In action that's for sure (6)

Solution to Puzzle No. 4,588



ENTERTAINMENT GUIDE

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ART GALLERIES

—Paintings and CHERRYL FOUNTAIN—First exhibition—paintings.

ROYAL SOCIETY OF PORTRAIT PAINTERS' 87th Annual Exhibition at the Mall Gallery, The Mall, SW1. Mon.-Sat. 10-5. Until 10 June. Adm. 50p.

THE PARKER GALLERY, 2, Albemarle Street, Piccadilly, W1. Exhibition of Old Marine, Military and Sporting and Topographical Prints and Paintings of Ship Models.

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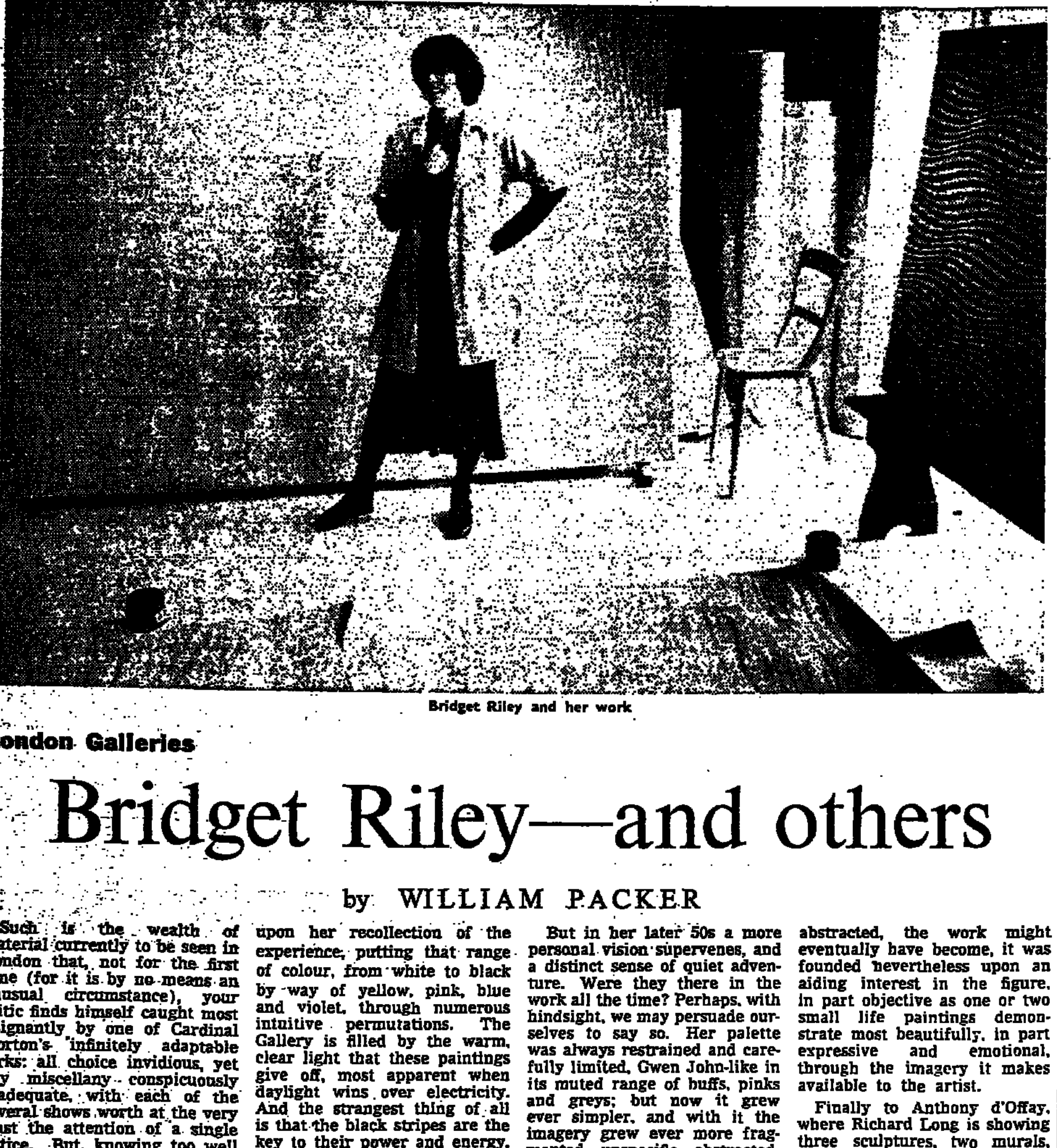

Bridget Riley and her work

London Galleries

Bridget Riley—and others

by WILLIAM PACKER

Such is the wealth of material currently to be seen in London that, not for the first time (for it is by no means an unusual circumstance), your critic finds himself caught most poignantly by one of Cardinal Morton's infinitely adaptable forks: all choice invidious, yet any miscellany conspicuously inadequate, with each of the several shows worth at the very least the attention of a single notice. But, knowing too well that I must be speared by both prongs, since this past month or two, I have indulged myself in the critical luxury of treating artists singly, perhaps I should try the austerity and discipline of the miscellany for a change.

Bridget Riley is one of the most distinguished of our abstract painters, from the moment of her national appearance in the early sixties a dominant figure in her generation and one of the few of our artists to enjoy a truly international reputation. Any exhibition of her work is necessarily a notable event and especially so when, as in the present case, there has been an extended interval since last she showed in London: two exhibitions make a major festival.

The Rowan Gallery and the Warwick Arts Trust, two of the finest spaces available in London for the showing of paintings, are for the moment collaborating (until July 2) on what amounts to a choice review rather than retrospective of her work over these five years past and including not just the final canvasses but also a number of the preparatory studies and gouaches, a number of them to full scale and considerable works of art in their own right. All the works at Warwick treat the wave motif, the regular rhythmic swelling and heaving across the surface that she manages so variously and yet so consistently.

They seem so simple, yet the problems they engage are fundamental to all painting, the generation of space and light and the description of form, by means of line and colour. Invariably the very simplicity of the demonstration belies its subtlety, the same colours at the same pitch used in different paintings, yet the slightest shift in the emphasis and re-ordering of those colours as they sit or move against each other, transforming utterly the quality, the mood and presence of the work.

The latest, the simplest works are at the Rowan, the arabesques left for the moment in favour of the baldest and most architectural of arrangements, absolute verticals of regular width filling the canvas. Miss Riley was lately in Egypt; and after the blazing light of the country, she was fascinated by the brilliance of the light in the depths of the tombs, light achieved not by some external agency but simply by a palette, a range of colour 3,000 years old and more.

On her return, she worked upon her recollection of the experience, putting that range of colour, from white to black by way of yellow, pink, blue and violet, through numerous intuitive permutations. The Gallery is filled by the warm, clear light that these paintings give off, most apparent when daylight wins over electricity. And the strangest thing of all is that the black stripes are the key to their power and energy, not sources of light themselves but the markers of that visual and imaginative space within which the other elements combine to create it. These paintings are as beautiful as they are extraordinary.

As beautiful and seductive, though they could hardly be more different in character, are the works which now fill the Serpentine Gallery (until June 28, then the Fermoy, King's Lynn; the Mappin, Sheffield; and finally Pallant House, Chichester). Mary Potter is a remarkable painter, still active at 80, of which anniversary this full retrospective is a most happy if belated celebration. Her work has been a minor cult for some itme, with even the Tate in on the action in good time, and to the tune of several excellent and representative examples: and it is right that we should test that the reputation is indeed deserved.

The answer clearly is Yes, but not in quite the way expected; for what we discover is that Miss Potter served a remarkably long apprenticeship, if we may call it that, producing work of great charm but only intermittent distinction for by far the larger part of her career. Had it ended 20 years ago, there would be little so say of the work, but that it was well made and discriminating in the worthy Slade and Bloomsbury tradition.

But in her later 50s a more personal vision supervenes, and a distinct sense of quiet adventure. Were they there in the work all the time? Perhaps, with hindsight, we may persuade ourselves to say so. Her palette was always restrained and carefully limited, Gwen John-like in its muted range of buffs, pinks and greys; but now it grew ever simpler, and with it the imagery grew ever more fragmented, unspecific, abstracted, hinting at object and sensation rather than describe experience. The paintings were as bold and radical in their way as anything else in their time, as judicious as any Avery or Agnes Martin, as free as any Frankenthaler. But the quiet note is not always heard, and the times were loud. What is most encouraging of all is that when it was heard, it was heard clearly, and its confidence and authority recognised.

When Keith Vaughan died, some four years ago in his middle sixties, he had enjoyed for many years an established but not major reputation, widely shown in all the important collections, but a characteristic rather than definitive figure in the British art of his time. And his later work gave a curiously misleading impression of his work overall, suggesting that he was rather more cerebral and analytical in his work than was the case, that he was rather more the cubist than the romantic symbolist. The Geffrye Museum (until June 28, then to Birmingham City Art Gallery) now puts the matter straight with a small but extremely well chosen group of paintings from the 'forties and 'fifties, all of them male figure studies, or figure groups and compositions.

Together they make absolutely clear that however simple, fragmented, indeed abstracted, the work might eventually have become, it was founded nevertheless upon an aiding interest in the figure, in part objective as one or two small life paintings demonstrate most beautifully, in part expressive and emotional, through the imagery it makes available to the artist.

Finally to Anthony d'Offay, where Richard Long is showing three sculptures, two murals, five photographic works, and a map piece (until July 8). Long's work is at time, and to varying degrees, arch, irritating, arbitrary, precious; and yet always stimulating to the imagination and frequently physically very beautiful. The various forms it takes, though it all clearly derives from Long's own direct and physical involvement in the landscape, are not always given, nor necessarily deserve an equal emphasis: and here the major works are undoubtedly the three stone circles, the latest in a sequence that has preoccupied him over recent years. The largest of them, in the centre of the larger room, is particularly impressive, the material extraordinarily rich, even colourful, in its incidental impurities, scratches and accidents. The circle is a powerful if ambiguous symbol, and the mud circle on the wall does carry a certain charge; but it is the low mass of rock upon the floor that remains in the memory.

The other major piece is also made of slate, though flat slabs of it rather than chunks, and it takes the form not of the circle, which is of course closed and finite, but of the spiral, which is almost a circle but yet altogether different, a pathway of stepping stones leading us imaginatively into, or is it out from the very heart of the thing?

Covent Garden

Janet Baker

by DAVID MURRAY

Dame Janet's recital on Sunday in the Royal Opera House was greeted with all the warmth that was to be expected. With Geoffrey Parsons at the piano she offered songs by Schubert and Fauré, Mahler and Vaughan Williams—and a quite unfamiliar Rossini cantata, an operatic monologue for Joan of Arc. It is an extended piece, varied and dramatic; Miss Baker delivered it with measured fervour, but something less than full Italian conviction in Rossini's florid line. She takes immense care over diction, and in the Royal Opera the effect was sometimes a little dry.

In her Vaughan Williams group Miss Baker risked taking the faded words more seriously than most native singers would dare, and succeeded in giving the songs unusual dignity. ("Linden Lea" was even over-sober.) Three of her four Fauré songs got comparable treatment, gravely supported by Mr Parsons—one admired the consistency while missing a degree of lightness and ease, but the fourth song was "Notre amour," a Baker party-piece that bubbled as brightly as ever. Concern with doing justice to French vowels made odd syllables obtrude here and there: the slower songs deserved smoother surfaces. It would be rewarding to have the searching Baker intensity brought to bear on later Fauré.

Schubert and Mahler too were represented by early songs. Miss Baker used her most affecting timbre freely in "Der Jüngling am Bache" and "Der Tod und das Mädchen," and slipped into near-operatic impersonation with "Der Jüngling und der Tod." Sheer charm of phrase survived; but in "Gretchen am Spinnrade" the ballad-form seemed too innocent to contain the passionate violence of the interpretation—no more suggestions of tragedy here, but full-scale desperation.

Even in the little Mahler *Wunderhorn* songs Miss Baker was plainly determined to do much more than just *sing*, and the folk-lyrical note tended to be shaded with heavy meaning. "Ablösung im Sommer" had the right cheerful mischief, luckily, and its twinkling accompaniment inspired Parsons to a fresh, positive contribution. *The evening contained many* attractive things, and yet left an impression that Miss Baker's powers ought to be exercised upon more demanding music.

The British composer Nigel Osborne travelled to Moscow recently to attend the Soviet Union's first ever International Festival of Contemporary Music, which included a performance of his song-cycle "The Sickle", settings of poems by Esenin and Mayakovsky, sung by the soprano Linda Hirst.

New music in Moscow

by NIGEL OSBORNE

Good news from Russia is slow to travel. An important event which suggests an imaginative departure in cultural policy has passed almost unnoticed in the Western press. Three weeks ago the Soviet Union held its first international festival of contemporary music — something almost unthinkable just a few years ago, but now apparently desirable enough to merit a welcoming message from Leonid Brezhnev, daily comment in Pravda, and total film and television coverage. Amid such a blaze of media attention, on a scale rarely accorded to cultural events in the West, it was curious to reflect that not so long ago music of the kind featured in the festival would have circulated in only a semi-official way, rarely performed, more often ignored. How has this change come about?

The answer seems to lie in part in a gradual shift in Soviet aesthetics which has been afoot since the 1950s, and in part in changes in the nature of contemporary music itself. In fact a kind of convergence has occurred. The heritage of socialist realism (expressed in accessibility, directness and closeness to popular sources) has brought with it a gradual process of transformation of musical language to admit new materials. In the meantime the musical avant garde has moved into its "post-modern" stage, where abstraction, the old enemy of the socialist realists, has given way to more "natural" and humanistic considerations.

To say that this first Soviet festival reflected the full import of the situation would be an exaggeration: for a first time round, the choice of programme was more astute than adventurous. As far as Russian music was concerned, a decision had been taken at an early stage to include works of only non-living composers. This had the advantage of sparing some painful decisions, as well as skirting around any remaining rifts between old and new guard. So the public was regaled with a feast of powerful performances of 20th-century Russian classics: Stravinsky's *Les Noces*, Khachaturian's *Ode to Joy* and works by Miaskovsky and Prokofiev (including a riveting recital of the piano works by Richter). Performances of Shostakovich's *Festival Overture* and the rather quirky 15th symphony went ahead irrespective of Maxim's recent departure: two of many reassuring tokens during the festival that the Soviets are in no mood for small-mindedness in such matters.

The illustrious dead, and some of the grand old men of Western music, were also represented, including Orff, Jolivet, Dutilleux, Gershwin, Barber and Britten, and more bizarrely, Auric and Rota. Particularly memorable was a witty and *warm performance of Walton's* violin concerto by Grigory Zhislin with the Central Television Symphony Orchestra.

The focus of the newest music in the festival was provided by the Poles.

Penderecki conducted his violin concerto, in which Zhislin was once again the soloist, with the exuberant Latvian Symphony Orchestra. Enthusiasm for this performance was surpassed only by the response to Lutoslawski's Double Concerto for Oboe and Harp, with Heinz and Ursula Holliger and players from the Leningrad Chamber Orchestra conducted by the composer: the audience noisily demanded an encore of the final movement, just as London audiences had done some months before.

In this, as in other stylistically advanced works, like Leo Brouwer's Concert Dances for guitar and chamber orchestra, performance standards were impressive. The Soviet musicians played with intelligence, commitment and an assurance which suggested familiarity and empathy with the problems of new repertoire. I can recall any illusions of Soviet backwardness in this area being shattered when I first heard Kremer and Grindienko perform with the Lithuanian Chamber Orchestra some years ago. The experience of the festival revealed that there is a massive resource of talent and interest to be tapped. To add to these generally positive impressions, Linda Hirst and I experienced not only a first-rate performance, but also considerable personal warmth from Dimitri Kitaenko and the players of the Moscow Philharmonic.

A notable feature of the programme was the inclusion of works from developing countries, *like Vietnam, India and* Cuba. It is tempting to regard this as a political exercise, but the fact is that whatever the motivation, Soviet cultural policies in the Third World are taking effect. Concern for culture and education draws a strong sympathetic resonance in many of these societies. I have met artists from as far apart as Ethiopia and Mongolia who have benefited from opportunities to study and develop their work in the Soviet Union, and those days they can expect a new sensitivity to the relationship between indigenous culture and European tradition. The presence on stage of both ethnic and "art" music from these countries was a token of this attitude, and it helped to give a genuinely international character to the proceedings.

The concerts, packed by a large and excited public, took place in the Grand Hall of the Moscow Conservatoire, with its famous clear acoustic, and in the opulent Hall of Columns. An international audience from over 40 countries was greeted by generous hospitality and by the precipitate arrival of the Russian Spring, whose sudden warm sun blazed off the golden domes of the Kremlin and brought bare trees dramatically to leaf in a matter of days.

The main force behind the festival is Tikhon Khrennikov, head of the Composers' Union, who has held the reins of power in the Soviet musical world for over 30 years. A composer of operas, symphonies and film scores, he first came to prominence during the heated anti-formalist debate of 1948. He has run a tight ship, and this has inevitably brought its casualties and criticisms. On the other hand, through his loyalty to centre, he has brought the Union to an almost unique *position of respect and trust*: as a deputy of the Supreme Soviet of the USSR and a figure of considerable political stature he has been able to put muscle behind developments in Soviet music. In organising the festival he has stuck his neck out, and has been rewarded by a notable success.

Now that the ball is rolling, one would hope that next time the Composers' Union will be less modest and let us hear the work of some of its living masters, like Svidirov and Shchedrin, its own post-moderns, like Denisov and Shnitke, and its younger composers—Firsova to name just one.

Natural History Museum

Darwin dissected

by ANTONY THORNCROFT

The Natural History Museum is celebrating its centenary this year with an exhibition devoted to Charles Darwin and his theory of evolution by natural selection. It could hardly be more appropriate. The Museum owes its own evolution to Darwin's successful shattering of established Victorian truth with the publication of "The Origin of Species" in 1859: the very look of the place, the rows of stuffed mammals, the cases of mounted moths, is a memorial to his work and theory.

And, to add extra piquancy, after a century of dominance Darwin's ideas are under attack—from the revival of fundamentalist Christianity in the U.S. and from the work of young scientists, many at the Natural History Museum itself, which take Darwin as the starting point rather than the last word on evolution.

The exhibition itself personifies the changes in the Museum in recent years, especially its embrace of a more popular approach. The majority of its visitors are school children, sometimes making the place sound like a public swimming baths in a heat wave, and The Origin of Species display is aimed at the intelligent 15-year-old — which means that it is ideal for the amateur adult.

There seems to be little wrong with the play school approach to providing information—complete with computer game on natural selection and buttons to push which produce bird song as well as pop up pictures—when it creates such an attractive visual treat. There may hardly be a text that takes more than a minute to read but since Darwin's theory is best conveyed through the changing shapes and colours of creatures this highly imaginative and colourful display makes instruction not only easy but also effective.

We are rushed through some basic facts about man on to such recognisable examples of natural selection as the breeding of dogs—the production of the Staffordshire bull terrier from mixing bulldogs with terriers, for example. Then back to the beginning with sections on species and the struggle for survival. Every point is made visually—a model of an elephant stresses the fact that even this slow breeding animal could produce 19m descendents from one pair in 700 years while two poppy plants could have 820 thousand million trillion descendants in just seven years. Only the struggle to survive and the victory of the fittest keeps the numbers down.

Whenever possible the display keeps to the familiar, and it is reassuring to have half-remembered truisms confirmed, such as the survival of the fittest and the strength of heredity. When it comes to concepts like mutation, the changed genes are illustrated for ill and good by the aberration of haemophilia in Queen Victoria's descendants and Seth Wright's sheep with short and crooked legs, a single mutation which was profitably used to breed flocks of Ancon sheep.

Then through such classics as the peppered moths, which changed their colour in the Manchester region between 1850 and 1900 from pale to dark in order to blend protectively into the sootened environment, only to pale again recently as the Clean Air Act lightened the background; to the finches on Galapogas Islands, with their different shaped beaks, which were noticed by Darwin in 1835 and became basic to his theory. They have adapted to the varying environments of individual islands and, in effect, turned into different species.

Throughout, the display justifies Darwin; only at the very end are trailed thoughts of new interpretations. And, perhaps significantly, the small pavilion devoted to an audio visual of alternative views was out of order on a recent visit. But the evidence here supports Darwin and does so most attractively. Even the least committed visitor can scarcely fail to be caught up in the models and photographs, the film shows and the colourful diagrams, which take up a conveniently small space in this most impressive temple to Victorian certitude.

The new and the old—modern visual displays surrounded by the Victorian columns of the Natural History Museum

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The timetable for ICL

YESTERDAY'S half-year report from ICL underlines the scale both of the task faced by the new *management—and of* the risk taken on by the Government earlier this year in providing a guarantee for up to £200m of the group's loans. Trading losses and heavy rationalisation costs are biting a great chunk out of the shareholders' funds, and borrowings continue to climb. By the end of the financial year in September, shareholders' funds may be down to roughly £50m, compared with debts of well over £200m.

Three things follow from this balance sheet strain. In the next few months, the group will have to call a special meeting of its shareholders to approve an increase in its borrowing powers, which are at present limited to three times shareholders' funds. There will be no choice but to go along with these proposals, for the shutters will have to go up if they are not approved.

Equity finance

Next, ICL *must be considering* as a matter of some urgency the scope for raising new equity-type finance. The best hope must be that sometime early in 1982 its plans will have *advanced to the stage where it* can approach the investing institutions for funds.

The third conclusion to be drawn from the half-year statement is that it already seems highly improbable that the Government will be able to end its financial exposure to the group when the two years of the present guarantee arrangement come to an end. Given a measure of economic recovery, ICL could be making modest profits in 1982. But it is unlikely to be able to start running down the guarantees much before the two years are up, and it will be impossible to cut the £200m out altogether overnight.

Some kind of tapering arrangement will be necessary, especially if ICL is to attract new funds from private investors in the meantime. Some form of short-term guarantee may well be necessary to lure investors into *the group*.

So the question is whether the Government is going to find itself locked more or less permanently into a business which proves incapable of supporting itself out of its own trading operations. The most optimistic interpretation is that ICL's present predicament is the result *of financial mismanagement*, and that behind its balance sheet problems there lies a viable business struggling to make its mark in a growth industry.

It certainly appears to be the case that the group took too long to attack its stocks and operating costs in the face of an unprecedented recession. The speed of its deterioration last year seems to have taken just about everyone by surprise.

The struggle now is to cut back costs and improve revenue, either by offering more products to existing customers or finding new markets altogether. The latest wave of redundancies, which was largely planned under the old regime, will cut the worldwide workforce by roughly a sixth and so play a very significant part in reducing overheads.

As for increasing turnover, ICL believes that its marketing network can support a significantly wider product range than that provided by its own manufacturing operations. By the end of this year, it plans to be moving towards collaborative ventures with a number of other manufacturers, which will be intended to widen the services offered in particular products and markets.

Economic outlook

The moment of truth for this strategy will come when ICL comes to the capital market for fresh funds. A great deal will depend then on the outlook for *general economic recovery in* 1982 and beyond. But if the group can then persuade the investing institutions that its prospects merit their support without the need for onerous new commitments by the Government, then it may be possible to take a reasonably relaxed line over the precise period of the loan guarantee. Meanwhile the group should be encouraged to press ahead with joint ventures and with its streamlining programme.

If ICL fails to find this kind of support in the City, however, then a *more radical solution* to its balance sheet problem will be necessary. So it looks as though the new management has about six months to pull together a convincing strategy *for the future*.

Free trade in services

TWO U.S. banks are watching closely the Monopolies Commission's study of the Hongkong and Shanghai Banking Corporation's bid for the Royal Bank of Scotland; if the verdict is favourable, they may themselves decide to seek an acquisition among the major British banks. This evident enthusiasm for overseas expansion is one reason why the Reagan Administration has adopted free trade in services as a priority of U.S. trade policy and why Mr Bill Brock, the Special Trade Representative, raised the matter in European capitals during his recent tour.

At first sight it looks an odd priority when developed countries are facing difficulties in keeping open the trading system in industrial goods. But services are looming larger in the exports of industrialised countries, and they will continue to grow. The U.S. policy reflects this inevitable growth of trade in services and is worthy of attention from the UK Government, itself so dependent on invisibles income to set against the vagaries of industrial exports.

Sensitive issues

It would be premature to suggest that opening up trade in services will be to the 1980s what the Tokyo *Round of multi*lateral trade negotiations was to the 1970s or the Kennedy Round to the 1960s. The issues are amorphous and sensitive. Not least is the problem of definition. An *American actor* deprived of the opportunity of appearing in London because of local union practices is as much a victim of protectionism as an airline prevented from *flying on a certain route or*, indeed, a bank denied the opportunity to establish a branch in a foreign country or buy the whole operation. To bring the issues into focus, it is *first necessary to decide on* an appropriate forum where they might be discussed and then to devise an approach to the discussions.

A number of international organisations have been nibbling away at the question of services. It is on the agenda at the General Agreement on Tariffs and Trade (GATT). It has been discussed by the Organisation for Economic Co-operation and Development, where there is a Code on Liberalisation of Current Invisibles Operations. It has been addressed by the International Chambers of Commerce. The most convenient *focus for a new initiative would* probably be the GATT, where disciplines for trading in goods and procedures for the resolution of disputes would be neatly complemented by similar facilities for trading in services.

The next decision to be taken is how to handle any international talks. The U.S. appears to be leaning towards the laying down of a set of principles for all types of services trading, which would be followed by bilateral agreements opening up respective markets on a reciprocal basis, with parallel moves towards establishing international rules and disputes procedures — not unlike the GATT Tokyo Round codes. In as much as the UK Government and the City of London have come to terms with the issues, they appear to be veering towards an approach which would look at the problem sector by sector. In the longer run, this more cautious way forward may be the most realistic. It is not difficult to imagine negotiations about sets of principles being caught for years in a verbal morass.

The weakness of the sectoral approach is that it has not worked in the simpler confines of the EEC where for years UK governments have been seeking, for example, to open up the insurance markets.

Closely geared

There are, after all, many nations which distrust U.S. motives. Mr Brock said in London that 41 per cent of U.S. exports are in the form of services and made no secret of the fact that the U.S. would be well served by more open markets. Developed and developing nations alike may not feel sympathetic to a U.S. policy which seems so closely geared to establishing market access for, say, an already powerful banking sector, especially when any foreign bank which has sought to establish a U.S. presence has had to run the gamut of federal and state laws which themselves constitute a protective barrier. Nevertheless, the world economy stands to benefit from the removal of restrictions in services and the U.S. initiative should be welcomed.

WEST GERMAN ECONOMY

Now for the good news

By Jonathan Carr in Bonn

A sudden surge in export orders has taken most German industrialists by surprise. But it comes at a time when some indicators suggest the German economy could be turning upwards. Bonn is still preoccupied with the effect of high interest rates and a large budget deficit and may not yet have noticed the change.

THE FIRST signs of light on the horizon are likely to be missed by those keeping their heads down in a hurricane. So it was that as the D-Mark plunged further against the dollar last week and the Bonn Parliament debated state finances with much wailing and gnashing of teeth, some unusually positive economic pointers slipped by relatively unremarked.

First, it was announced that the country had achieved a visible trade surplus in April of DM 3.3bn ($1.45bn)—a figure which a few years ago would *have been deservedly greeted* with a loud yawn. But that was in the "good old days" when the West Germans seemingly could not help but build such huge surpluses on visible trade that *they could easily make up for* their deficits on invisibles. Since 1978 that has no longer been so. Last year's current account deficit of DM 29.1bn was much the biggest in the western world and there have even been two months when the visible trade balance itself has gone into the red. In this context the April surplus—three times larger than the surplus in April, 1980—is well worth more than a passing nod.

Hard on the heels of the trade results came word of the strongest upsurge in demand *for West German industrial pro*ducts for many months. Overall industrial orders in April were 10 per cent higher than a year earlier, based on a rise of 5 per cent at home and no less *than 20 per cent from abroad.* Even more striking was the orders intake of the mechanical engineering sector alone—often called the heart of the West German economy with its annual turnover of more than DM 100bn and its export earnings of some DM 60bn. Here, overall orders were up by nearly one third in real terms in April against a year before, with foreign demand alone rising by a real 35 per cent.

Two swallows do not make a summer, and a single month's statistics clearly cannot be taken *as firm proof of a trend.* The order figures can be distorted in the short run by, for example, the coincidence of several particularly large industrial plant deals. And the April result should not obscure the fact that in the first third of this year, the trade surplus has been smaller and the current account deficit larger than in the same period of 1980. The currency markets shrugged off the DM 3.3bn surplus almost with contempt and the D-Mark went on sliding against the dollar (or the dollar strengthening against the D-Mark depending on your vantage point).

None the less, these April figures do not come wholly as a surprise. A few weeks ago the chairman of a leading German mechanical engineering concern reported with an almost bewildered smile that foreign orders had actually doubled in the first third of *this* year—a previously unheard-of result to which demand from the oil-producing states had particularly contributed.

A leading Saudi Arabian official recently in Bonn said he *believed that the Germans now* stood a good chance of making up for the ground they had lost in recent years because their—technically excellent—products, had been relatively too expensive.

A comparison of the trade figures for the first quarter of this year with the last quarter of 1980 helps bear this out, showing exports to the Opec states, rising by nearly 18 per cent and to the United States by almost 11 per cent (against an increase of just 4 per cent to the European Community countries).

The most obvious reason for this has been the sharp fall of the D-Mark not only against the U.S. dollar but also against the yen—by around 30 per cent in *both cases in nominal terms* since the start of last year.

The West German-Japanese relationship is particularly worth stressing not only because of the eyeball-to-eyeball confrontation between those two countries in fast-growing markets like Opec. In a more general way, Japan's export success points both to the *opportunity and* the challenge now facing the Germans.

Just as the sharp decline in the yen between the end of 1978 and early 1980 greatly helped boost Japan's sales abroad, so the falling D-Mark now seems to be bringing extra foreign business for the Germans. For a long time it has been hard to see this in the trade statistics themselves—partly because of the so-called "J-curve" effect, under which currency devaluation initially brings a worsening balance of payments because imports are dearer and *cheaper exports* have not yet found additional buyers.

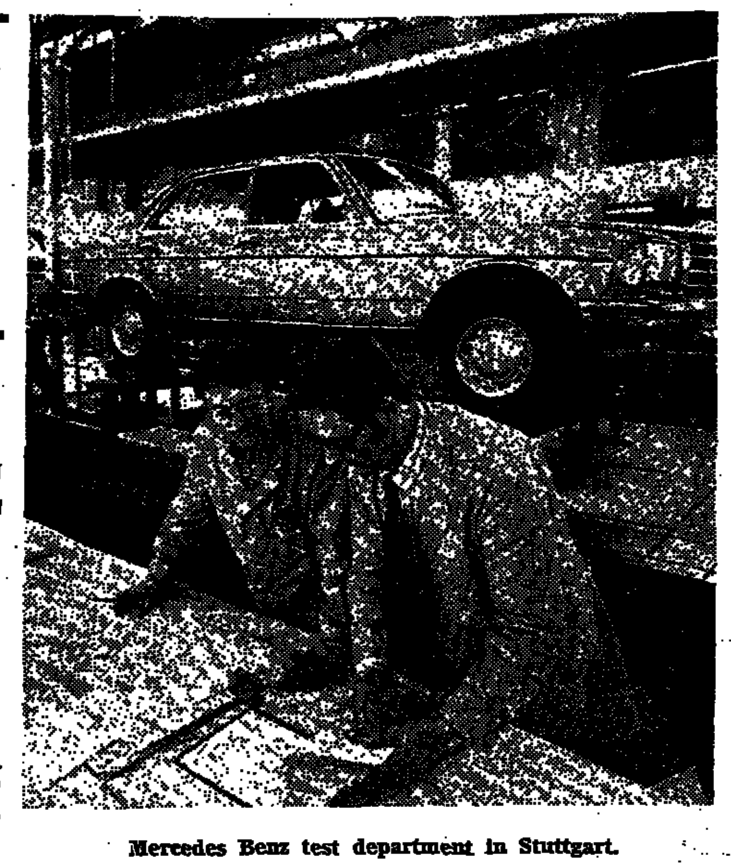
There is more to the competitiveness of both countries than nominal currency devaluation—as the top table shows (Competitive *Position of Major Countries in Price* Terms).

THE COMPETITIVE POSITION OF MAJOR COUNTRIES IN PRICE TERMS

Percentage change between average figure for year 1978 and January 1981

Country	Inflation differential*	Nominal external value of currency†	Real external value of currency
Switzerland	−12	− 2	−14
Germany	−11	+ 1	−10
Japan	−11	+ 3	− 9
France	+ 8	− 3	+ 5
U.S.	+ 7	+ 0	+ 7
Italy	+25	−12	+11
UK	+13	+28	+45

* Movement of consumer prices in the country in question against the average in 13 other industrial countries, weighted with its shares in foreign trade.
† Average external value of the currency in question, weighted with the country's *shares in foreign trade, against the currencies of 13 other industrial countries.*
Source: Deutsche Bundesbank



Mercedes Benz test department in Stuttgart.

The nominal external value of the D-Mark and the yen at the start of this year was little different from what it had been in *1978—when compared with* the weighted average of the currencies of the leading trading partners of both countries.

But the table also shows that over the same period the Germans and the Japanese were markedly more successful in controlling inflation than were most of their trading partners. The upshot was a fall in the real *external value of the D-Mark* and the yen by 10 per cent and 9 per cent respectively, and hence a rise in international price competitiveness. In contrast, Italy was unable to make up *for its high inflation* by a similarly high nominal devaluation, while Britain had both high inflation and an appreciating currency—a double burden indeed.

Can the Germans hang on to this decisive advantage of a relatively low inflation rate (at present lower than that of any *other country, even* Switzerland)? Here too the comparison with Japan is instructive. Among the *key reasons* for Japan's success in combating inflation—and also bringing a *rise in the yen from April last* year—were the tough interest rate stance of the central bank, and wage increases which were generally less than the rise in consumer prices.

In Germany, no one could fairly accuse the independent Bundesbank of following a weak interest rate policy. Money supply is well within the restrictive guidelines *laid* down last year and at present there seems to be no danger of the kind of overshooting which occurred in 1978 (when the D-Mark was strong and a tougher monetary stance would have made it stronger still). On the contrary, critics of the Bundesbank usually stress that too severe a domestic policy is now being followed to try to prevent *further major worsening of the* D-Mark exchange rate.

As for this year's wage negotiations, these finally brought increases averaging about 5 per cent—clearly in advance of the expected productivity rise but almost certain to be a bit below the inflation rate.

So far so good—in the main. But that does not mean that *the Germans can be wholly* satisfied, either when they match themselves against Japan or when they survey the condition of their domestic economy —even through the pleasant glow of a surge in foreign demand.

For one thing, the fall of the D-Mark against the dollar has markedly increased the oil import bill—and there are few signs that the Germans are facing this challenge with the resolution of the Japanese. True, oil consumption was down by 12 per cent by volume in the first quarter against the same period last year—but, after all, the economy is now in recession. The recent establishment of yet another parliamentary committee of inquiry into the *future of nuclear energy does* not bode well for quick progress on that front.

So long as the Germans fail to take tougher measures to cut back their imported oil dependence, they remain *especially* vulnerable to greater imported inflation when their currency is weak, and liable to external political pressure even when it is strong.

Further, release of those encouraging order figures for April coincided with publication of depressing German unemployment statistics for May. These showed that the number of jobless had fallen by only 3 per cent to 1.1m—the lowest May reduction for more than two decades.

Many German companies—*especially medium-sized ones*—have a relatively high ratio of borrowed capital to own funds by international standards. Many borrowed short-term last year wrongly believing that falling interest rates would accompany the economic downturn as *they have done before.* Now they are in serious difficulties. The Bundesbank is fully aware of this, but it feels unable to relax the interest rate squeeze so long as U.S. rates stay high. *To do so would bring* a further surge of funds out of the D-Mark and into the dollar.

It is against this grim background that the West German Government is approaching the Western *economic summit* conference in Ottawa next month. It is looking to the U.S. to create the conditions for a round of "international interest rate disarmament"—and it has been encouraged by the support it has so far received from the Japanese and French.

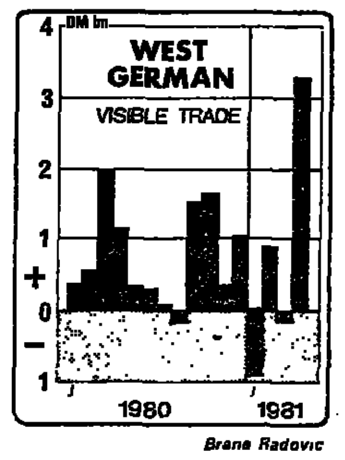
On the face of it there is a rich irony in the Germans of all people pressing the Americans to cut interest rates. It was, after all, the Germans who pleaded with the U.S. to fight inflation—or in the long run there could be no strong dollar and no economic health in the western world.

The Germans argue now that too much emphasis is being put on monetary policy in the U.S.—bringing unhealthy concern *with very short-term money* supply figures and fluctuating interest rates at a high level. The Germans would love to believe that President Reagan's plans to reduce and finally *eliminate* the Federal budget deficit in fiscal 1984 will be successful. But they look at the Reagan Administration's tax cut plans and at soaring U.S. defence expenditure—and they fear the worst. In their view, that will continue to leave the main task of fighting inflation with those trying to guide monetary policy — and that implies high interest rates for the foreseeable future.

This argument would be more convincing — and the Germans would no doubt carry still more weight in Ottawa—*if the Bonn Government were* itself more successful in sticking to its own expenditure targets. Government borrowing has been one factor putting upward pressure on domestic interest rates, quite apart from the influence exerted by the Americans.

That said, Bonn is certainly sincere in arguing that the U.S. *is, in effect, forcing* other industrialised countries to keep their interest rates at a level out of keeping with their depressed economies—thus prolonging recession and increasing unemployment. The Germans calculate that an interest rate cut of just 1 per cent would mean a boost to their economy of about DM 8bn—or close to one half of one per cent of GNP. Beyond that Germany's export business can only thrive if the economies of its main customer countries are thriving too.

Thus the interest rate issue has gone to the top of Bonn's economic agenda. Devaluation has brought Germany new price advantages for export goods without destroying its relative *success in fighting inflation.* What it needs now above all is a Western economic upswing in which its increased competitiveness can pay real dividends.



Brane Radovic

The April surplus—three times larger than the surplus in April, 1980—is well worth more than a passing nod.

MEN AND MATTERS

Books: binding agreement?

The latest round in the struggle between penniless authors and penniless publishing houses open today with the publication by the Writers' Guild and Society of Authors of their new joint Minimum Terms Agreement.

The new agreement, a guide for innumerate persons of letters to the intricacies of publishing contracts, is facing close scrutiny in the offices of *publishers and literary agents.* Last year the Writers' Guild scored two minor though notable victories by winning the implementation of their own prototype agreement by Hamish *Hamilton, Thomson's hardback* subsidiary, and W. H. Allen, the publishing arm of the troubled Howard and Wyndham, whose money spinning Dr Who series was threatened with *an author's strike*.

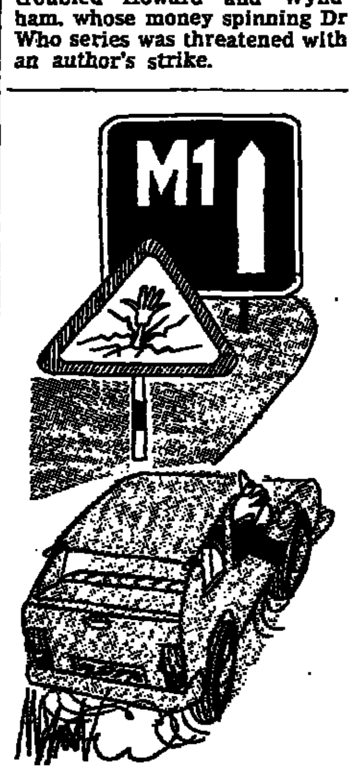
Ralph Fields, managing director and M and W, sounded less than enthusiastic for a new agreement when I broke the news to him last night, claiming that the first agreement had already threatened his competitive position as Granada, the BBC, Arrow and Sphere had not signed. "If you're small you just have to put up with this. But in the long term people will just give up publishing books from British TV shows," he said.

Michael Horniman, treasurer of Authors' Agents Association, also considered aspects of the agreement to be counterproductive, though he conceded with curate-like diplomacy that parts of it were "excellent."

"I was slightly worried about *the minimum terms* because they don't always apply and one doesn't want to turn authors away because of a lack of flexibility."

Could hard and effective *bargaining by the joint* Writers' Guild/Society of Authors team, eventually make agents redundant?

Horniman was unequivocal. "The trouble is," he said, "*there just aren't enough good* agents to go around."



Arty crafty

Luke Rittner has long been trying to persuade captains of commerce and industry that the arts mean business. As director of the Bath-based Association of Business Sponsorship of the Arts, Rittner knew that a long recession would probably pass judgment on his success or failure. It looks as if he has won.

In the five months since January corporate membership of ABSA has *risen from 70* companies to 98, the most dramatic rise in the Association's short history. More importantly, companies have begun to switch their arts sponsorship funding from charity accounts to public relations.

"The general feeling used to be *that sponsorship should* come out of a charitable fund," Rittner told me. "We've been trying to explain that there are sound commercial reasons for arts sponsorship. Promotional budgets, after all, are often increased during recession while the arts are always at the bottom of the pile when it comes to charity."

Rittner, 34, clearly has the art of persuasion. In the five years since ABSA was founded it has lifted its turnover (admittedly of other people's money) from £600,000 per annum to £5,250,000, a substantial chunk of the latter figure being the deal between the New Philharmonia Orchestra and Du Maurier, one of B.A.T. Industries' cigarette brands, which gives the orchestra £600,000 over two years.

But perhaps his greatest coup was the wangling of a £25,000 one-off grant from Norman St John-Stevas, completed shortly before the axe fell on the unfortunate Arts Minister.

Vin de pays

CBI deputy director-general Jimmy James is putting his money where his mouth is when it comes to next week's annual dinner, to be addressed by the Prime Minister. At his suggestion, the Confederation will be buying British in that traditional bastion of foreign domination, wine.

The CBI's 1,250 guests will be wetting their lips for the first course with Three Choirs, produced by the Gloucestershire vineyard of the McKechnie Wine Company. The Hippocrene is marketed in this country by H. Sichel, which reckons on shifting around 100 dozen this year.

Language barrier

The Men and Matters Award for Linguistic Opacity goes by a comfortable margin to the composer of the document with the deceptively simple title of "*The Rights of Light Act, Form* A."

This labyrinthine beast is brought into play when councils wanting to build on empty land are obliged to warn nearby dwellers of their impending adumbration. It used to be that councils would have to surround the land with hoardings warning of their gloomy intent. A parliamentary Act now enables them to register with the borough clerk the idea that they might, at some future date, build something.

The borough solicitor then sends out the following *text*, prescribed in a 1977 statutory instrument as the approved rubric:

"Registration of this notice is intended to be equivalent to the obstruction of the access of light to the said building across land which would be caused by the erection of an opaque structure in the position on my land marked green on the attached plan and of unlimited height."

Short, dense, and frankly surreal.

Striking out

No field is too small for fighting the propaganda battle at Eagle Star, currently resisting a partial bid from Germany's Allianz insurance company. At least, that is the inference which I draw from the bookmatches distributed to guests who lunch at the British company's offices.

As part of a series entitled "Protected Eagles," each bookmatch is emblazoned with the colourful picture of a particular species which is, we are reminded by a legend inside the cover, "a protected bird, like all eagles."

No kidding

Advice on a large plastic bag containing a teddy bear, on sale at a London market: "To avoid danger, keep away from children."

Observer

Jason Crisp looks at the prospects for the System X family of electronic digital exchanges, 18 months after the Geneva launch

Britain's late entrant in a key export battle

OVER THE past 20 years Britain has seen its once grand share of one quarter of the world telecommunications market progressively whittled down to 3 per cent. Yet over that period the market has been booming and shows every sign of continuing to do so.

Worldwide, telecommunications sales are about $40bn a year for all types of equipment and growing at about 6 or 7 per cent a year in real terms. But only about 15 per cent of that market is genuinely open for competition. Any country with indigenous manufacture, like most European countries for instance, will not allow foreign-made equipment to be imported in significant volumes. And there are over a dozen serious manufacturers putting up a fierce fight for the available market.

To date, export markets have been dominated by European manufacturers, notably Sweden's LM Ericsson, Siemens in Germany, Philips in Holland and CIT Alcatel and Thomson CSF in France. But ITT of the U.S. and several Japanese companies have also been active. Increasingly, other North American companies are becoming interested in exporting, not least Western Electric, the manufacturing arm of the giant AT and T.

A large question-mark hangs over Britain's ability to snatch back a significant share of what is one of the few major growth industries in the world. If it does not, it will have a significant effect on the price Britain will pay for domestic telecommunications equipment. Although it is a growth market there is also a major problem of over-supply. At least ten companies are competing — all hoping to offset the very high development costs of the new generation of exchanges.

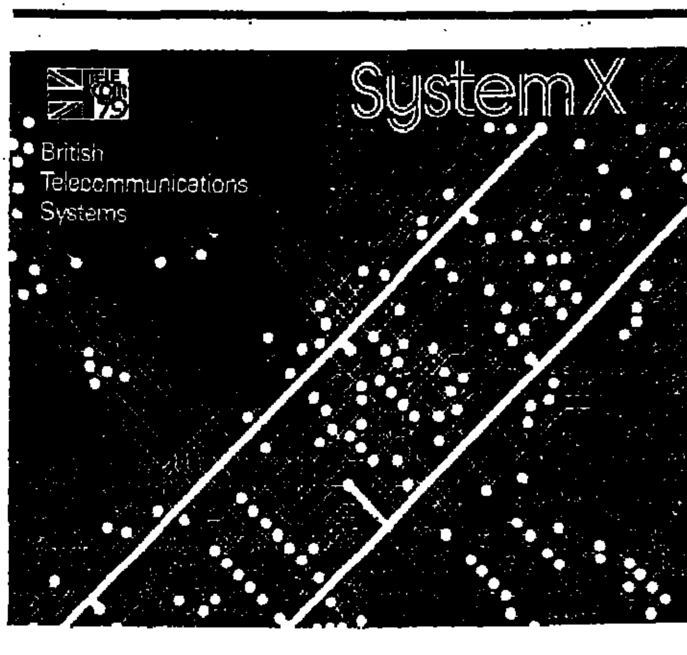
The competition for export markets is tough to the point of destruction, and it is an open question whether all the telecommunication companies currently fighting it out in world markets will survive in the present form.

Without doubt, Britain's three main manufacturers of switching equipment (telephone exchanges) GEC, Plessey and STC, a subsidiary of ITT, are keen to win business in export markets. And British Telecom wants to see its main suppliers exporting in contrast to times past when its commitment to encouraging exports of telecommunications equipment was half-hearted, to put it mildly.

Two years ago BT set up British Telecommunications Systems (BTS) a joint marketing operation with three manufacturers to try to sell the latest generation of computer controlled digital exchanges overseas. BTS employs just over 30 technical and commercial people, a number expected to rise to 50 next year plus a number of other people from the companies on a full- or part-time basis.

The problems facing BTS are formidable. System X, which has cost £200m to develop largely since 1976, will be one of the last in a long line of digital exchanges to be offered to the world. Last year several hundred thousand lines of digital exchange equipment were ordered from competing companies, yet BTS has yet to notch up a single sale. According to Mr John Sharpley, chief executive of BTS, first export deliveries of System X will not begin until 1983.

And British manufacturers have also been severely handicapped by the Post Office's past conservative attitude to technology and over-stringent design specifications. This produced equipment which was unsellable elsewhere because it was too expensive and out-of-date by the time it reached the market.



THE ADVANTAGES OF SYSTEM X

SYSTEM X is a very advanced family of fully electronic digital exchanges. Unlike the old-fashioned electro-mechanical exchanges which are still in the majority in Britain, System X has no moving parts. It looks very similar to a computer and contains vast numbers of microchips.

The exchanges are computer-controlled and a major part of the system's development has involved the writing of instructions for the computer (software); the three companies and British Telecom have 600 engineers writing System X software on 10 large mainframe computers.

The exchange is built on a modular basis which means it can be constantly updated as technology changes. A whole printed circuit board crammed with components can be reduced eventually to a single chip and as ever greater circuit integration is achieved, System X exchanges are becoming dramatically smaller.

The system can also analyse its own faults and tell an engineer what has gone wrong. The days of a man clambering over great racks of exchanges laboriously looking for a fault are numbered.

A small local exchange will open soon at Woodbridge in Suffolk, conveniently close to British Telecom's research centre at Martlesham. Villagers will be able to instruct the exchange to divert calls to another number automatically, keep trying an engaged number until it is free, arrange conference calls between subscribers and have the advantage of high-speed abbreviated dialling for regularly called numbers.

What is more, System X talks. Using electronically synthesised speech, the exchange instructs the user how to use its many facilities in a dialogue which the customer answers by pressing keys on the telephone. And people calling each other on System X exchanges will be connected instantaneously.

It will also be able to offer the highly desirable facility of having a display which will tell you the number that is calling you.

BTS believes that it will be different this time. The target, says Mr Sharpley, is to achieve 10 per cent of the available world market within 10 years, which is equal to about £100m a year. That would represent between 20 and 25 per cent of the British manufacturers' switching business. But BTS is being cautious; it wants to be able to demonstrate that System X works before it starts selling overseas in earnest. So far, there is only one exchange in operation in the UK public network. France, Germany and Sweden are also using digital equipment, but in no European country so far are subscribers directly connected to a digital exchange.

There is no doubt that from a technical point of view System X can match most of the systems offered by competing companies around the world. Indeed, when it was unveiled to the world at Telecom 79 in Geneva, about 18 months ago, System X was the hit of the show.

Since then, surprisingly little has been heard of it. Although competitors clearly have an interest in deprecating System X, some report that they have not come up against it in any major tender around the world. BTS is not, for instance, ready to tender for major contracts in Greece or Venezuela, two of the bigger prizes currently being fought over.

But in the past two years it has had talks with the telecommunication authorities in over 20 countries and has now started revisiting some.

Mr. Sharpley expects however that the first contracts for System X will be small. Britain's absence from international telecommunications markets meant it started at some disadvantage. It has been a major task to gather commercial and technical intelligence.

Theoretically, one advantage of the creation of BTS is that it can influence the design of System X to make it more saleable in export markets. The past mistakes of over-engineering should not be repeated. But there is doubt about BTS's actual influence on the design teams. The considerable cost reduction achieved by continuing improvements of the electronics will at least make any over-engineering less important in price terms.

There is also another problem. The requirements of a long-established and sophisticated telecommunications authority like the Post Office are also very different from those of the fledgling authorities which account for most of the export markets. While an authority like British Telecom will carefully examine the running costs and the stability of design, a new growing telephone authority will be most concerned with the initial cost of purchase and will want the most up-to-date equipment available, often for status rather than economic reasons.

When it comes to actual sales there are two major factors involved where Britain is in an unfavourable position, regardless of the quality of the product.

First is the issue of pricing. The trend has been for companies to "loss-lead" with initial contracts on the grounds that they will make it up at a later date with follow-on orders and servicing and maintenance. Once a country has bought a system from one manufacturer, it is easier, although not obligatory, for it to stay with it as the network expands.

The second factor is the political, economic and defence packages which some countries use to gain leverage to win a telecommunications contract.

Some people in the British telecommunications industry point out how Britain's trade practices compare unfavourably, for example, with those of France, in the sense that they do not exploit to the full government aid, defence sales, soft loans and other political and diplomatic factors which can influence a decision to purchase telecommunications equipment.

Certainly, the French companies CIT Alcatel and Thomson CSF have been very successful in exporting such equipment. And that is in spite of the fact that Thomson has had major problems in getting its digital exchanges to work. In Egypt it has had to instal analogue exchanges developed by the U.S. company ITT because it was unable to produce its own digital system, MT, in time.

Thomson is believed now to have solved this problem.

British manufacturers still have reservations about exporting. STC is often accused of not being genuinely interested because its parent company ITT is offering a rival digital exchange, System 12. But it claims to be the most enthusiastic, and there is some evidence to believe it.

Mr Geoff Samson, STC's director of telecommunications, believes that the companies in BTS should be prepared to loss-lead in order to break into new markets. It is not a view shared by GEC, which points to the overriding importance of government involvement in sales of telecommunications.

At present, no one manufacturer is able to make the whole of System X on its own, and any overseas sale will be very much a co-operative effort although one company will be selected by the other partners as "prime contractor."

Exporting telecommunications equipment is inevitably much harder than picking up domestic orders from British Telecom, almost on a basis of Buggin's turn, and less profitable. But competition within the UK is getting fiercer and all three companies are aware that the UK is unlikely to be able to support three independent manufacturers in the long-term. (So few people are actually needed to make System X that, in theory, it could be made in a single factory.)

Companies are also tempted to move some way from being almost totally dependent on British Telecom, whose ordering pattern can be dramatically affected by changes in Government policy.

But even the manufacturers do not seem to see exporting as vital. As one reflected recently in private: "Even if we do not sell a single line abroad, System X will be profitable for us."

Letters to the Editor

Debate on textiles

From Messrs. B. Ford, N. Winterton and K. Woolmer, MPs

Sir,—On June 2 there was a very interesting report by Rhys David, your Textiles Correspondent, on the multi-fibre arrangement (MFA). Mr. David is clearly very well briefed about EEC proposals about the reactions of the industry associations and about the views of the UK Government.

It is most enlightening to discover that the UK Government feels that Hong Kong, which has a large positive overall trade balance with both the EEC and the UK, should receive relatively favourable treatment in any allocation of quotas to low cost countries.

This clearly is an important point, but a point, along with many others, that Members of Parliament are being denied an opportunity to comment on. To date there has been no debate in the House of Commons despite the fact that an EEC consultation document was circulated to member state governments some weeks ago.

Members of Parliament should be allowed to debate the principles that might underpin the re-negotiation of the MFA. The UK textile and clothing industry has lost 160,000 jobs over the past two years, so it is hardly surprising that industry interests are concerned about the outcome of the re-negotiations. Since there are still almost 600,000 people still employed in textiles it is clearly important that there should be a public debate on the future of an industry that offers more employment than the iron and steel and coal mining industries put together.

At the moment MPs are being kept in the dark by the Government, the only shafts of light being those generated by your newspaper and one or two other informed sources.

Ben Ford (Chairman, All Party Parliamentary Wool Textiles Group)
Nicholas Winterton (Chairman, All Party Parliamentary Cotton and Allied Textiles Group)
Ken Woolmer (Chairman, Parliamentary Labour Party Textiles Group)
House of Commons, SW1

Quality circles

From Mr R. Collard.

Sir,—I notice that the growing interest in quality circles, encouraged by your articles in February among UK management has resulted in the TUC issuing guidelines on how its members should respond to these in the UK.

In a visit last month to consider quality circles in operation in Japan I had discussions with such well known companies as Canon, Nippon Steel and Nissan representatives where quality circles were developed some 12 years ago. I found that their trade unions had initially also expressed similar concerns. As a result the companies spent time explaining carefully the objectives of quality circles and emphasised that they would not conflict with existing consultative and negotiating procedures. Quality circles are now a dynamic feature of Japanese industrial life and are supported by the trade unions. In fact the concept is now spreading to the service sector.

R. P. A. Collard.
Binder Hamlyn Fry and Co.
2, St. Bride Street, EC4.

Agricultural rents

From Mr E. Parker.

Sir,—The definition of rent was no problem until it was defined in the Agricultural Holdings Act 1948. The statutory amendment as set out in Section 2 of the Agricultural Act 1958 is the present legal definition which I, as a practising arbitrator, must interpret. The National Farmers Union and Country Landowners Association have made a brave attempt to re-define a "rent properly payable"; it has taken them sixteen lines of typescript to say "a level which is economically fair to both the existing landlord and tenant." I expect that Parliamentary draftsmen will expand this into several pages and still leave ample room for the legal profession to argue their meaning.

I particularly fear that I shall be presented by the landlord's side with model farm budgets and if the tenant cannot prove his ability to match this, an acrimonious dispute will follow to the damage of good relationships between them. The 1948 Act provided a simple solution to an economic difference of opinion which can now be settled quite amicably.

Personally, I find no difficulty in interpreting the present law to give effect to the CLA/NFU formula. If statute says that the rent may only be reviewed every three years and the farm must be assumed to be vacant, it seems only reasonable to also assume that 1/3 of the tenanted land in England and Wales is similarly vacant. This immediately takes the heat out of any scarcity value (or over-supply). Moreover, the Act stresses that in an open market situation both parties must be "willing." It seems reasonable to construe that Parliament intended that the parties involved in an arbitration should be part of this market, albeit hypothetical, and also willing. In recent times it has not been unusual for a tendered rent to include a 50 per cent element of key-money. Neither landlord nor tenant is willing to accept or pay such a premium every three years.

The present statutory definition of rent, if my assumptions have legal validity, allows an arbitrator to award from a great variety of evidence by evaluation. Tendered rents do often assist as good evidence of scarcity or glut, but there is no need to follow slavishly the figures currently offered and accepted in the real market of today.

E. C. Parker,
Browsholme Hall,
Clitheroe, Lancs.

Electric mass transit

From the Director, Electric Vehicle Development Group

Sir,—One needs to look very carefully at the evidence before assuming that interest in hover trains is declining, as was suggested in your comments on the House of Commons transport committee report "Advanced Ground Transport" (3.6.81). Certainly there has been some cutback worldwide in AGT development projects but this applies equally to any new technology in the present economic climate and there are still active programmes in Germany, Japan, America, Canada and of course the United Kingdom, where, to its credit the Government is helping to fund the magnetic levitation system at Birmingham Airport. The UK Government is also prepared to assist financially, as is explained in the report, another project which incorporates vehicles with suction air suspension.

Urban authorities, particularly those overseas, are unlikely to respond enthusiastically to these transport technologies until they are proven. Once these systems have been tested and evaluated in the UK, potential operators can then be approached with positive suggestions about how they can save money and reduce their fuel consumption. For instance, in urban areas the cost of conventional rail systems in tunnels can be approximately 2½ times that for a comparable overhead system. In warmer climates the energy needed just to ventilate the tunnel can be equal to that required to run the vehicles themselves.

The markets are there, throughout the world new urban centres are forming and others are growing rapidly, while at the same time many countries are wishing to reduce their dependence upon oil for their public transport. The circumstances are therefore ideal for the development of electric mass transit systems in the UK as a prerequisite to persuading overseas customers of the potential benefits for their own operation.

Alan Aldous.
Electric Vehicle Development Group,
59, Colebrooke Row, London, N1

Civil service pay

From Mr. M. Goldman

Sir,—Further letters in your columns prompt me to write again, though with some reluctance. Let me assure your civil service correspondents that my lack of sympathy with their claims does not mean that I approve of the way that the Government has handled the dispute. Perhaps I ought also to state that I too have been a civil servant, have worked for large companies, been a director of small ones, and am at present self-employed.

Miss Sprinz (June 3), who carelessly couples the forename of my opponent David Carr with my surname when she refers to my previous letter, may well have graduate friends who are not in fear of redundancy but, taking the economy as a whole, can it be denied that the civil service offers greater job security at all levels than the private sector? As to her somewhat apocalyptic point about actually enjoying the benefits of index-linking, it has to be assumed in a discussion of this sort that the world will still be here in 35 years' time—and she will find, as the years go imperceptibly by, that her pension rights become mysteriously more important to her.

Once again Mr. Carr makes a point against his own case: even assuming that he is correct in saying that I too can have an index-linked pension if I am prepared to pay for it, will he then please go on to tell me where I can obtain this for as little as the notional 8 per cent paid by civil servants?

Michael Goldman.
1, Lyndale Close,
Blackheath, SE3.

Still in the Union

From the Bass Liaison Officer, Campaign for Real Ale.

Sir,—The closure of the Burton Union brewing system at Bass's Burton brewery (June 1) does not mark the demise of the last such system, as you stated.

Marston, Thompson and Evershed last year renovated and expanded its Union system on the grounds that had it not done so, the quality of the beers would suffer.

It is an ironic contrast and perhaps symbolises the way of thinking which alienates many consumers. That is a willingness to sacrifice quality—which the Union system undoubtedly represents—in order to make relatively minor savings. In the long-term, it is a counter-productive attitude.

(Dr) Timothy Webb.
1, Winterfold Cottages,
Chaddesley Corbett,
Worcestershire.

Help for small firms

From the Group Public Affairs Adviser, Midland Bank

Sir,—May I dispel any concern small businessmen may have that the setting up of area offices by Midland Bank will make the managers involved too remote from their customers' operations (Small Business Survey, June 3).

The programme of re-organising our branch network will not only ensure that most of the needs of our small business customers will continue to be met through his local branch, but that the local branch will have available the support of area offices, whose specific objective is to meet the needs of our corporate customers. In pursuing this programme we have not been aware of any criticism of our service to small businessmen becoming either detached or impersonal.

May I also say that Midland welcomes the introduction of the Government's small firms loan guarantee scheme which will complement the wide range of facilities introduced to help the smaller independent business, and our branch managers have been urged to foster the scheme energetically.

W. H. K. Matthews.
Midland Bank,
Poultry, EC2.

The serving Forces

From Mr W. Irish

Sir,—On June 4 you had an article about the Royal Navy which showed the number of serving sailors and marines. Why was no reference made to the numbers of civil servants who are also employed in the Ministry of Defence handling naval business and who probably cost more than the serving forces?

W. T. Irish.
141 Park West, W2

Today's Events

GENERAL

UK: King Khaled of Saudi Arabia begins State visit to UK.

Building workers' unions meet to plan industrial action campaign over pay claim.

Overseas: Sir Ian Gilmour, deputy Foreign Secretary, visits Denmark (to June 10).

Egypt, Israel and the U.S. start talks in Tel Aviv on multi-national peacekeeping force in Sinai.

Mr Zenko Suzuki, Japanese Prime Minister, starts 12-day six-nation tour of Western Europe.

PARLIAMENTARY BUSINESS

House of Commons: Employment and Traning Bill, remaining stages. Education (Scotland) Bill, third reading. Sheep Variable Premium (Protection of Payments) Order.

House of Lords: Motion on Lords expenses. Ministerial and Other Salaries Order. Local Government (Miscellaneous Provisions) Bill, third reading. Forestry Bill, report.

Select Committee: Transport, on transfer of testing to private sector. Witnesses: Institution of Professional Civil Servants; Freight Transport Association, Room 17, 4.15 pm.

OFFICIAL STATISTICS

UK balance of payments for first quarter. Central Government transactions (including borrowing requirement) for May. Construction output for first quarter. London clearing banks' monthly statement for mid-May. UK banks' eligible liabilities, reserve assets, reserve ratios and special deposits for mid-May.

COMPANY MEETINGS

Anglo-African Finance, Heaton Mills, Heaton Park Road, Higher Blakeley, Manchester, 11.30. Associated Book Publishers, 11 New Fetter Lane, EC, 12. Astbury and Madeley, Finch Road, Lozelles, Birmingham, 12. Bentalls, Wood Street, Kingston upon Thames, 12. Beradin Rubber Estates, Tubs Hill House, London Road, Sevenoaks, Kent, 11.30. Electrical and Industrial Securities, Brewers' Hall, Aldermanbury Square, EC, 12. Empire Stores (Bradford), Norfolk Gardens Hotel, Bradford, 12. Laughton and Sons, Warstock Road, Birmingham, 12. Albert Martin, Albany Hotel, St. James', Nottingham, 11. Newcastle and Gateshead Water, Allendale Road, Newcastle upon Tyne, 12.30. Office and Electronic Machines, Winchester House, 77 London Wall, EC, 12. United Newspapers, 23-27 Tudor Street, EC, 12.

ICL incurs £33.9m loss and omits interim

PRE-TAX LOSSES of ICL increased to £33.9m in the half year to March 31 1981 following a loss of £24.4m in the first quarter, and the interim dividend is being omitted, against a payment of 0.95p net last time.

The six-month deficit compares with a profit of £20.5m for the corresponding period a year ago.

In the full year to end-September 1980 taxable profits plunged from £45.7m to £25.1m and in his statement in February, the then chairman warned that the outlook for 1980-81 was uncertain and that there would be a further deterioration continuing well into the year. Dividends for the year totalled 2.975p.

Turnover for the first six months of the current year was 8 per cent lower at £318.4m (£346.3m) and there was a trading loss of £19.1m (£31.9m profit) after depreciation of £20m (£19.9m).

The taxable loss was struck after interest charges which rose from £11.4m to £14.8m.

Tax took £2.2m (£4.2m) leaving a net loss of £36.1m (profit £16.3m) and a stated loss per 25p share of 26.93p (12.21p earnings).

After a minority credit of £100,000 (nil) and extraordinary debits of £14.6m (£7.7m) there was an attributable loss of £50.6m (£8.6m profit).

The extraordinary debit comprises the estimated costs expected to arise from the redundancy and reorganisation programme, including the closure of the Winsford factory announced in November.

New chairman, Mr C. C. F. Laidlaw, says despite the many hard and complex decisions the directors have taken they see *great opportunities for the group* in the future.

He says in Europe and beyond the group has an important customer base with major market shares in the UK, Australia and South Africa and first class products and a highly skilled work force to support this.

The chairman says the group must be brought back to profit levels which are essential for its continuing and successful *development. The directors are* determined to do this he adds, "for the benefit of customers, employees, shareholders and suppliers alike."

In regaining profitability, the directors will exploit more strongly the group's product range. However, the renewed strength and growth of the group will rest very largely on its ability to "*offer highly competitive systems designed to meet the* constantly evolving needs of customers."

The success of its present range is demonstrated by the *fact that in just over a year it* has taken more than a thousand orders for its medium scale NE 29 computer. The larger 2966 computer is being well received, and there are more first class products in the pipeline, the chairman points out.

The group will be announcing a new, small business computer in next few weeks.

Mr Laidlaw says it remains part of the directors' strategy over a period of time to pursue collaborative ventures aimed at improving the group's product range in the future. The directors, *he says, will be looking* particularly for associations which provide synergy to company's own product range and markets.

Any associations which the group may seek must fulfil the criteria of safeguarding customer *investment, both current* and future, in the group's products.

The primary task of the directors and the management is to restore profitability, thereby supporting investment by customers in the group's products. A return to profitability will enable the directors to *pursue their strategy and forward plans.*

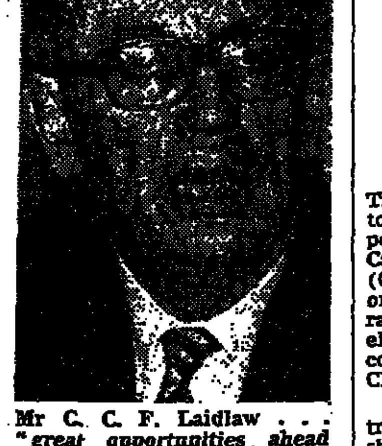
The chairman explains that to restore profitability, hard decisions and severe measures are needed. These will include a further significant reduction in *overall costs, part of which must* involve a material diminution of total employment costs. The directors latest assessment of manpower needs in all areas of group activity shows a further overall surplus, in addition to that announced last November of 5,200 employees (of whom some 4,200 are in the UK).

The directors therefore propose to reduce this surplus by starting consultations immediately with a view to initiating a redundancy programme. They estimate that, had the recent partnership discussions materialised, the resulting worldwide loss of jobs in the group could, over a period, have been around 10,000 compared with the 5,200 now proposed.

The group has factory and office premises that exceed current and projected needs and the directors are at present reviewing how more cost effective use of the total space can be achieved.

The directors anticipate that rationalisation costs now foreseen, which include the estimated cost of further manpower reduction proposals, will be of the order of £40m.

They state that they must face up immediately to these costs, which, together with trading losses, will have a major adverse effect on reserves in the consolidated balance sheet at September 30 1981. *This in turn will affect* borrowing powers, which at present are related to the group's *net worth. Detailed proposals to* correct the position are now being formulated and will be circulated to shareholders as soon as possible for consideration at an EGM.



Mr C. C. F. Laidlaw . . . "*great opportunities ahead* for the group."

Group borrowings at March 31, 1981 totalled £189m (after deducting cash balances but including £89m of export credit finance), an increase of £38m since end September, 1980.

Lex, Back Page

Cambridge Elect. publishes offer for sale details

THE PROSPECTUS is published today for the offer for sale of 60 per cent of *Philips' holding in* Cambridge Electronic Industries (CEI). The offer is 21.6m ordinary 25p shares at 75p each, raising £16.2m for the Dutch electronics group which will continue to hold 40 per cent of CEI "for the time being."

Cambridge Electronic Industries came under the full ownership of Philips in 1979 when it bought out the 39 per cent of Pye that it did not already own. *According to Philips' management*, it had always been their intention to return control of the smaller specialist companies, which came in with Pye, to private ownership.

CEI is a holding company with 20 operating subsidiaries in three main divisions—electronic and electrical components, defence and electronic systems and specialist engineering. The group employs nearly 4,700 people.

Trading profits in calendar 1980 of the three main divisions amounted to £5.4m on sales of £49.4m for components, £1.1m on sales of £20.7m for defence and £1.4m on £12.8m for engineering.

The five-year record from 1976 to 1980 shows turnover has expanded from £43.4m to £82.9m *while trading profits have increased* from £4.4m to £7.9m. Pre-tax profits over the same period have risen from £4.1m to £6.2m, the latest figure being struck after a £1m exceptional item relating to the reorganisation of Pye Electro-Devices and Graseby Dynamics.

There was a profits setback in 1979 of £1m to £4.5m. This was mainly caused by accounting changes on stock valuations implemented at Graseby which resulted in a £1.2m turnround from the defence operations to *a loss of £100,000.*

However, the new management, which took control of CEI *at the beginning of 1980*, cannot bring the company to the market with a forecast of improved profits.

Largely because of the fall in orders in the last quarter of 1980 reflecting the general recession, turnover in 1981 is expected to be below the £82.9m achieved last year. The main impact of the recession is being felt on the components and engineering businesses. Higher defence and electronics systems sales are expected to substantially offset the downturn at the other two divisions.

Currently a quarter of the group's subsidiaries are operating at a loss. The directors are forecasting that *profits before* tax for the current year will not be less than £5m. On a fully taxed basis this points to earnings per share of 6.1p indicating a prospective p/e of 12.3 at the offer price.

It is the board's intention to pay dividends totalling 3.7p per share, implying a gross yield of 7.05 per cent at 75p. The offer price puts a market capitalisation of £27m on the group.

Turning to the future, the directors remain optimistic. They see an increasing need for the *electronic components and systems* the group manufactures and a continued emphasis on exports will be made. In 1980 close to a fifth of direct sales went overseas.

Joint ventures and suitable acquisitions will also be pursued. The company is currently talking with companies in the U.S. and France *on joint ventures and discussions* are taking place in the UK which may lead to *acquisitions*.

Merchant bankers to the issue are Baring Brothers and brokers are W. Greenwell and Cazenove.

Application day is Friday.

● comment

Philips has picked odd timing to sell control of Cambridge. The new management had only just finished its initial reorganising and cutting when the recession was upon them. A quarter of the 20 odd subsidiaries are now operating in the red and profits, exceptionals aside, could fall by *a quarter this year. If Philips* had waited a year or so it might have got a much better price. As it is the dullish record, poor immediate prospects and lack of a combined track record for the new top men is reflected in an above average yield of 7 per cent and fairly modest (for the sector) fully taxed multiple of 12.3 at the 75p offer price. CEI may not be able to claim full high technology glamour—there are a couple *of companies which* look quite out of place with an electronics company—but it does have some potentially good growth areas and other stable cash generators to fund the more interesting operations. The asking price recognises the drawback of perhaps floating too early and the offer should go reasonably well with a few points premium when dealings start. But its "electronics" *tag is not an automatic justification for* very fancy rating.

Metal Box profits slump by over £33m at year end

ON SALES down from £1.12bn to £1.08bn, taxable profits of Metal Box have slumped by *£33.7m* to *£29.1m* for the year ended March 31 1981.

In the beverage market the poor summer weather reduced demand and with the effects of competition *from* other can makers and from the PET bottle, significantly reduced can margins, the directors explain.

They add that almost all the other areas of the company's UK business suffered similar problems.

There are some indications that the worst of the problems are over. Destocking, which *adversely affected demand*, appears to be decelerating, the directors say, and there are "some tentative *signs in several* parts of the business of a hesitant recovery."

However, in view of the prospects for consumer expenditure, the board cannot be confident that this will continue.

A final dividend, down from 11.83p to 6.51p, leaves the total nearly halved at 10.71p (20.3p) *net per £1 share.* Earnings are shown as 7.6p, well behind from 50.8p.

On a CCA basis, *pre-tax figure* is turned into a £3.8m loss (£22.2m profit).

Mr D. I. Allport, *chairman* and chief executive, says that a detailed examination of all corporate activities has taken place which resulted in job losses and the cessation of a number of activities not wholly essential to the successful operation of the company under present conditions.

Some of these steps, connected with the introduction of new technology, would in any case have been necessary but were planned to take place over a longer time scale, he states.

In the 12 months to March 31 the enumbers employed in the UK fell by 4,589 or 13.8 per cent. This streamlining, which has occurred at all levels, has not yet been completed and further *redundancies are expected.*

"Depressing though the results are, the position would have been *significantly* worse had it not been for the activities overseas." Mr Allport explains that the overseas division again made a substantial profit contribution.

A divisional analysis of turnover and *operating profit*—£55.9m (£82.6m) — shows: packaging—open top £275.02m (£307.85m) and £356,000 (£6.93m); general line £133.27m (£147.73m) and £5.06m (£10.75m); paper and plastics £127.39m (£107.68m) and £3.39m (£6.75m); engineering £38.82m (£37.1m) and £623,000 loss (£2.08m profit); Risdon—UK £1.1m (nil) and £258,000 (nil); overseas subsidiaries £399.07m (£405.07m) and £45.1m (£40.11m); central heating—Stelrad in UK and overseas *£101.48m (£116.59m) and £1.16m* loss (£13.92m profit). Overseas associates profit £3.53m (£2.1m).

The paper and plastics division included the caps and closures business, which was previously *in the open top and general line* divisions.

Pre-tax profit *for the year* was struck after interest of £26.8m compared with £19.8m, and subject to tax of £14.2m (£19.3m). After minorities £9.1m (£5.5m), and an extraordinary debit of £21m (£3.1m), there was an attributable loss of £15.2m, against a £34.9m surplus.

The extraordinary item included a figure of some £9.4m redundancy and reorganisation costs which were shown above the line at the halfway stage—pre-tax profits then were given as £10.46m, against £33.92m. On *top of the fall of some 4,500 UK* jobs, the item included provision for a further 1,500 who left in April and May.

The chairman says that various operations from general line canning to engineering are looking better but the two problem areas in the UK are central heating and open top canning.

The Stelrad division suffered a 40 per cent fall in its market partly because British Gas is no longer promoting central heating because of its concern over supplies. This has meant redundancies in the boiler making division and an acceleration of re-equipment in the radiators operation.

Beer cans held up well last year he adds, but the soft drink *can market was difficult.*

Mr. Allport later said he was giving no profit forecast for the *current year*, but commented: "We have cut overheads *dramatically and are continuing* to do so."

The group spent £53.8m on *fixed assets at home and overseas* last year, including £4.2m on acquisitions, and expects this year to produce a similar total.

Operating income of Metal Box South Africa—57.8 per cent owned by Metal Box Overseas—expanded from R25.7m to R35.7m for the year, on turnover up from R273.6m to R340.7m.

Earnings per share are shown as 79.8 cents (47 cents) and the dividend is 39 *cents* against *30 cents.*

The directors say there was a sharp increase in demand for *beverage cans, and there was* growth in all other sectors. Profits were helped by the *elimination of losses* at the Walvis Bay fish can plant and in the machinery division.

HIGHLIGHTS

After briefly looking at today's tender offer for Eagle Star shares Lex moves on to consider three major sets of results. At *ICL the heavy losses indicated* last Friday turn out to be £33.9m at the pre-tax leveland *£50.6m after exceptional items.* Metal Box has rethought its accounting treatment of closure costs and thus the results are better than expected though more than half the previous year's £63m. *Finally Lex looks* at the preliminary figures from Associated British Foods which comes *in with a 16 per cent profits* advance to £115m.

Camford slips into the red

A PRE-TAX loss of £286,000 has been incurred by Camford *Engineering for the six months* to March 31, 1981. This compares with profits of £907,000 for the corresponding period and £921,000 *for the last full year.*

The interim dividend is being passed. Last year's interim was 1.63p net but there was no final.

First half turnover of this manufacturers of metal pressings, stampings, machined parts and assemblies, fell from £20.22m to £18.95m. There was no tax *charge this time, compared with* £126,000, but an extraordinary debit of £96,000 (nil), *representing the net cost of redundancies,* resulted in an attributable loss of £382,000 (£781,000 profit).

Strong profits growth at Systems Designers

Systems Designers International, the Camberley-based *mini and micro computer technology* group, reports almost doubled pre-tax profits for 1980.

For the 11 months to December 31 1980 pre-tax profits rose to £625,872, an increase of 82.4 per cent on the £343,107 for the 12 months ended January 31 1980.

Turnover during the 11-month *period increased by 35.7 per cent* from £4.64m to £6.3m.

Mr Phil Swinstead, chairman *and managing director, said the* excellent performance resulted from a deliberate strategy of low growth and consolidation. The balance sheet was further *strengthened*

In January 1981, the National Enterprise Board sold its 26 per cent share in the group to clients of Ivory and Sime, the Edinburgh-based investment management company. The new shareholders subscribed £400,000 in cumulative redeemable preference shares, used mainly to repay *loans outstanding to the NEB.* This move by the group towards institutional shareholders is in *line with its plans to seek a* public quotation within the next five years.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Anglo-Indonesian	3.33	Aug. 28	3.33	3.33	3.33
AB Foods	2.6	Sept. 3	2.3	3.8	3.4
Camford Engnring. int.	*Nil*	—	1.63	—	1.63
ICL int.	Nil	—	0.95	—	2.98
Metal Box	6.51	July 24	11.83	10.71	20.3
Warren Plantation	7	*July 23*	7	10	10

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by *rights and/or acquisition issues.*

BESTOBELL RIGHTS ISSUE

Acceptances have been received in respect of 96 per cent of the 1.78m shares of Bestobell offered in a rights issue last *month* at 380p.

SPAIN

June 5	Price %	+ or −
Banco Bilbao	312	
Banco Central	374	+4
Banco Exterior	302	+5
Banco Hispano	296	+3
Banco Ind. Cat.	123	
Banco Santander	345	−3
Banco Urquijo	195	+3
Banco Vizcaya	329	
Banco Zaragoza	237	
Dragados	192	+3
Espanola Zinc	84	+2
Fecsa	69.7	+0.2
Gal. Preciados	48	+2
Hidrola	77	+0.5
Iberduero	63.2	+0.7
Petroleos	119	−1.5
Petroliber	96	+1
Sogefisa	67	−2
Telefonica	69.2	+0.2
Union Elect.	71	

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB — Telephone 01-621 1212

1980-81 High	Low	Company	Last price	Change	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
76	38	Airsprung	70	—	4.7	6.7	11.1	15.4
52	21	Armitage and Rhodes	48	—	1.4	2.9	19.8	45.7
200	92½	Bardon Hill	200	—	9.7	4.9	7.5	12.8
104	*88*	*Deborah Services*	*104*	—	5.5	5.3	6.1	9.8
126	88	Frank Horsell	104	—	6.4	6.2	3.3	6.0
110	39	Frederick Parker	61	—	1.7	2.8	25.5	—
110	64	George Blair	64	—	3.1	4.8	—	—
110	59	Jackson Group	103xd	—	6.9	6.7	3.9	7.9
129	103	James Burrough	129	—	7.9	6.1	10.6	10.6
334	244	Robert Jenkins	317	—	31.3	9.9	—	—
55	50	Scruttons "A"	55	—	5.3	9.6	4.0	4.0
224	196	Torday	196xd	—	15.1	7.7	7.5	13.0
23	8	Twinlock Ord.	15	—	—	—	—	—
90	68	Twinlock 15% ULS	79	—	15.0	19.0	—	—
58	35	Unilock Holdings	42	—	3.0	7.1	8.5	10.2
103	81	Walter Alexander	101	—	5.7	5.6	5.6	8.8
263	181	W. S. Yeates	255	—	13.1	5.1	4.8	9.8

هكذا من الأصل

UK COMPANY NEWS

AB Foods surges past £100m mark

THE SECOND half of the year to March 28 1981 has seen Associated British Foods boost its pre-tax profits by £11.6m to £70.71m. This has enabled the company comfortably to exceed a full year figure of £100m for the first time, with the result for the 12 months improving by 16 per cent from £98.7m to £114.91m on turnover 20 per cent higher at £2.57bn.

Stated earnings of this Sunblest, Ryvita and Vitbe bakery group, which takes in Fine Fare supermarkets and ABC teashops, pushed ahead from 16.95p to 18.7p per 5p share, and second interim dividend is 2.6p net, lifting the total payment from 3.4p to 3.8p.

Mr Garry Weston, chairman reports that a record cash flow enabled the group to reduce borrowings by £17m while increasing investment by £120m. It also increased its workforce both in the UK and overseas.

Sales in the UK increased by 16 per cent and overseas by 31 per cent in terms of local currency.

	1980-81 £000	1979-80 £000
Sales	2,573,930	2,145,895
Trading surplus	172,154	147,242
Depreciation	42,479	35,140
Interest payable	14,767	13,407
Profit before tax	114,908	98,695
UK tax	15,083	15,298
Overseas tax	17,453	13,529
Profit after tax	83,372	69,868
Minority profits	16,191	9,083
Extraord. debits†	110	*5,336
Available	67,071	66,141

†Extraordinary credits less goodwill written off £4.61m (£1.25m). *Credits.

The trading surplus of the group increased by £25m to £172m. The pre-tax results takes into account the adverse effects of £0.9m due to the difference in exchange rates at the year-ends.

For the second year in succession the UK retailing division increased sales by 24 per cent. They totalled £813m and represented nearly 50 per cent of UK turnover. Although there was some pressure on margins during the year, trading profits increased by 11 per cent to £17.6m.

The results from UK manufacturing divisions were mixed and the effects of the fall in consumer spending were felt severely by some smaller and more specialised companies. After a record 32 per cent increase in the previous year, profits from the manufacturing division, operating in a depressed market, nevertheless increased by 4 per cent to £49.7m. Satisfactory increased contributions came from the milling, baking and biscuit companies in the group, says Mr. Weston.

It has been the group's policy to take re-organisation costs as they occur year by year and charge them against trading profits. This year these costs including some element of redundancy, were exceptionally heavy and additional expense of some £2m has been charged, with the consequential effects on profits in the manufacturing divisions.

Overseas companies increased profits by £12.3m to £50.9m which represents 44 per cent of the group's profit before tax. Although profits from Australian companies were lower than last year, following the substantial upturn in the economy of South Africa, the Premier Group increased profits by £13.4m to £38.1m.

The deduction for minority interest is higher than last year at £15.2m following the substantial increase in the profits of the Premier Group in which the company holds 52 per cent.

On a CCA basis, operating profits were reduced to £72m and profit before extraordinary items to £27m.

Lex, Back Page

Allied Plant seeking acquisitions

Allied Plant Group, which recently demerged its housebuilding interests, is looking to acquire companies providing services to the construction and allied industries.

The disposal of the housebuilding subsidiaries to a new quoted company, Allied Residential, in which APG retains a 27½ per cent stake, has resulted in improved liquidity and a general strengthening of the balance sheet, Mr Michael Heathcote, chairman, tells shareholders in his annual statement, and this will assist selective acquisition.

The policy will make APG unique, he points out, holding substantial stakes in construction companies while retaining all the shares in the service companies.

Negotiations for the disposal of some of the group's industrial land and properties are at an advanced stage, he adds, and a formal announcement will be made next month.

As known, the group's pre-tax profits fell from £1.2m last year, but the net dividend was lifted from 1.575p to 1.89p. Shareholders' funds at the balance date stood at £4.51m (£3.74m) and fixed assets at £4.77m (£3m). Ther was a secured bank overdraft of £2.48m (£1.38m) and a bank loan of £1m (£0.5m). Net current assets amounted to £2.25m (£2.32m).

Meeting, York, June 29 at noon.

Bambers sees successful year ahead

Turnover of Bambers Stores was running well ahead of last year, Mr S. Marks, chairman, told shareholders at the annual meeting, and the group was looking forward to another successful year.

A further 10-12 stores with trading areas in excess of 7,000 square feet would be opened.

Mr Marks said the board was confident of the group's ability to grow despite the generally difficult trading conditions in the retail sector. The recently acquired menswear company, Philip Daniel, was being integrated with encouraging results.

P. C. Henderson soundly based and well equipped

Mr Pat Gaynor, chairman of P. C. Henderson, says the group has set itself the right goals for the current year, and has the means of achieving them.

He tells members, in his annual statement, that exacting but fair targets have been set "and we can be confident that the commitment to achieve them will be there." He feels that the group is soundly based and well equipped to move forward.

As reported on May 7, taxable profits of this manufacturer of sliding door gear and industrial and garage doors, slumped from £2.78m to £1.46m for the February 28 1981 year. The dividend is maintained at 8p net per share, however.

Mr Gaynor says the group does not intend to rely on improved demand to enable it to progress. Much emphasis is being laid on new product development within its own resources, the redesign of existing products to reduce costs without impairing quality, and the search for new products from outside sources.

Meeting, Winchester House, EC, June 30, at noon.

Very strong liquidity at Turriff Corp.

Order books in certain areas of activity remain below required levels but the group is making every effort to improve the shortfall wherever possible, Mr W. G. Turriff, the chairman of Turriff Corporation, engineering contractor, tells shareholders in his annual report.

However, he points out that the group's financial resoucres, in particular liquidity, are stronger than in any time in the group's history. The accounts for 1980 (profits of the group for 1980 wer rported on May 13) show cash and short-term funds less overdrafts totalled £5.2m, compared with £2.14m the previous year end. The accounts also show £22,500 was paid to a director during the year for loss of office.

Meeting will be at Warwick, on July 2, at 3 pm.

Kenmare calls for another I£356,000

Kenmare Oil Exploration is raising I£356,000 by way of a rights issue of 1.4m shares at 25p per share on the basis of one new share for every five held. The issue, the group's second this year, has been underwritten by Cluff Oil. Brokers to the issue are Dudgeon and Panmure Gordon.

RESULTS AND ACCOUNTS IN BRIEF

MATTHEW HALL AND CO. (engineering)—Results for 1980 reported May 7. Group fixed assets £9.59m (£7.9m). Net current assets £20.86m (£16.5m). Shareholders' funds £30.98m (£16.8m). Chairman confident 1981 will show an improvement over last year. Meeting, Hotel Russell, WC, on June 26, noon.

COMBINED ENGLISH STORES GROUP—Results for the 53 weeks to January 31, 1981 and prospects reported April 24. Fixed assets £13.66m (£13.9m); current assets £29.9m (£32.3m) including short-term bank deposits and cash £3.82m (£3.65m); current liabilities £17.46m (£20.88m), including bank overdrafts £1.13m (£497,000). Shareholders' funds £27.88m (£27.23m). Decrease in net liquid funds £865,000 (£1.05m). Revaluation of group's properties at year-end has disclosed a surplus over book value of £9.63m. Meeting: The Institute of Directors, 116 Pall Mall, SW, July 2, noon.

W. WILLIAMS AND SONS (HOLDINGS) (non-ferrous metal die-caster and founder, stockist and engineer)—Results for 1980 reported April 4. Fixed assets £2.74m (£2.55m); net current assets £538,465 (£1.29m); shareholders' funds £2.1m (£2.47m). Decrease in working capital £287,108 (£232,178 increase). Historical pre-tax deficit of £754,973 (£203,317 profit) increased to £1.09m (£93,000 loss) on CCA basis. In view of poor trading in first quarter of current year and estimated disruption and redundancy payments arising from relocation of Vale Castings, chairman cannot foresee company returning to profit this year. Meeting, Cardiff, July 8, 11.30 am.

ELLIS AND GOLDSTEIN (HOLDINGS) (women's outerwear)—Results for year ended January 31, 1981, reported May 14. Shareholders' funds £11.21m (£10.73m), group fixed assets £3.86m (£4.07m), net current assets £7.76m (£7.51m). Meeting, Barrington House, EC, June 24, at noon.

TYSONS (CONTRACTORS)—Results for 1980 already known. Group shareholders' funds £1.53m (£1.35m). Net current liabilities £6,044 (£62,114 assets). Property, plant and equipment £1m (£1.03m). Investment properties at cost £0.72m (£1.08m). Current cost pre-tax profit £61,132 against historical £155,626. Meeting, Liverpool, July 3, noon.

DOWNIEBRAE HOLDINGS (engineering and metal processing)—Results for 1980 and prospects already known. Current cost pre-tax profit £187,098, against historical £205,452. Ordinary shareholders' funds £2.46m (£2.37m). Fixed assets £1.79m (£1.32m). Net current assets £693,236 (£1m) including bank overdrafts £939,131 (£335,745). Working capital up £3,664 (down £158,248). Meeting, Glasgow, July 1, 11 am.

JOHN FOLKES HEFO (Midlands property and engineering group)—Results for 1980 and prospects reported May 15. Group shareholders' funds £21.1m (£20.75m). Fixed assets £11.35m (£11.28m). Net current assets £9.83m (£10.21m). Working capital down £0.89m (up £1.78m). Meeting, Birmingham, June 25, noon.

PORTER CHADBURN (brewery, marine and mechanical handling equipment, plastic film and bags)—Results for 53 weeks to January 8, 1981 and prospects reported May 27. Current cost pre-tax loss £353,000 against historical £200,726 profit. Shareholders' funds £5.95m (£5.9m). Fixed assets £1.95m (£1.97m). Net current assets £4.18m (£4.1m). Bank overdrafts (secured) £0.67m (£1.78m); loans (secured) £1.02m (nil). Working capital decreased £215,000 (£44,000 increase). Meeting, Liverpool, June 25, 12.15 pm.

THOMAS WARRINGTON (public works contractor, builder, estate developer)—Results for 1980 reported May 7 1981. Fixed assets £900,762 (£823,689), current assets £2.89m (£3.37m), current liabilities £1.52m (£2.18m); shareholders' funds £2.13m (£1.72m), increase in working capital £449,609 (£488,834). Meeting, Chester, June 24, 11 am.

FEEDEX AGRICULTURAL INDUSTRIES (agricultural machinery and feedstuff manufacturer and grain trader)—Results for 1980 reported May 7. Shareholders' funds £3.81m (£3.58m), fixed assets £2.76m (£2.71m), net current assets £1.38m (£1.55m), decrease in liquid funds £356,840 (£479,473).

HONGKONG (SELANGOR) RUBBER—Results for 1980 already known. Current assets £511,223 (£517,209); current liabilities £431,363 (£393,248). Fixed assets £251,418 (£260,920). Meeting, 1-4 Great Tower Street, EC, June 25, 3 pm.

EXTERNAL INVESTMENT TRUST—Income from listed investments (franked) £413,135 (£355,590), (unfranked) £378,461 (£314,049). Income from unlisted investments £24,700 (£18,853). Investments £18.3m (£12.89m), current assets £1.47m (£1.72m), net current assets £804,601 (£786,054). Meeting, Three Quays, Tower Hill, EC3, June 25, 12.45 pm.

MDW (HOLDINGS) (construction and property)—Results for 1980 reported April 23. Fixed assets £3.81m (£2.7m), current assets £15.26m (£11.59m), including work in progress £13.89m (£10.5m) and cash and bank balances £301,103 (£49,358), current liabilities £11.3m (£8.91m), including bank overdraft £3.76m (£2.25m). Shareholders' funds £8.28m (£5.05m), increase in working capital £1.37m (£319,000). Chairman says indications are encouraging for the current year. Meeting, Glasgow, June 30, noon.

HOLYROOD RUBBER (Malaysian rubber and oil palm producer ultimately held by Harrisons and Crosfield)—Results for 1980 reported May 15. Shareholders' funds £608,413 (£601,149); net current assets £110,869 (£107,767), estates £383,371 (£383,312). pre-tax profit £129,518 (£122,980) reduced by current cost adjustments to £112,000. Meeting, Great Tower Street, EC3, June 25, 11.00 am.

TOYE AND COMPANY (manufacturer of civil and military regalia and jewellery)—Results for 1980 reported on May 20 1981. Shareholders' funds £3.34m (£3.51m), fixed assets £1.68m (£1.73m), net current assets £1.84m (£1.92m). Meeting, Connaught Rooms, Great Queen Street, WC, June 26, at noon.

GRANT BROTHERS (Department store retailer)—Results for January 31 1981, 53 weeks (comparative figures 52 weeks): turnover £10.5m (£9.78m); pre-tax loss £344,294 (loss £59,973); attributable loss £62,042 (£147,699 profit). No dividend (3.882p total).

SEARS HOLDINGS—Results for year ended January 31 1981 reported May 12. Group fixed assets £454,806 (£479,776). Current assets £391,354

Mr Leonardo Sainer, Chairman of Sears Holdings.

(£359,305). liabilities £208,077 (£212,703). CCA pre-tax £52.9m (£99.71m historic). Chairman's emoluments £46,326 (£25,187). Meeting, Selfridge Hotel, Orchard Street, June 30, noon.

ADVANCE SERVICES—Results for 1980 reported May 21. Group fixed assets £22.65m (£18.46m). Net current assets £1.43m (£2.35m). Meeting, Stratton House, W. June 24, noon.

F. MILLER (TEXTILES) — Results for year ended February 13 1981 reported April 11. Shareholders' funds £4.67m (£3.74m), net current assets £1.64m (£1.78m). Meeting, Glasgow, June 26, noon.

AUTOMOTIVE PRODUCTS—Results for 1980 already known. Group fixed assets £57.23m (£48.74m). Net current assets £63.83m (£68.52m). Shareholders' funds £99.21m (£96.26m). Meeting, Grosvenor House, June 18, noon.

GRINDLEY OF STOKE (Earthenware manufacturer)—Results for 1980: turnover £12.53m (£8.17m), pre-tax loss £2.21m (£1.61m) after interest paid £891,522 (£428,153); net loss £1.69m (£1.64m) after tax credits £179,084 (£285,584) and extraordinary credit £295,815 (£423,566 debit). Loss per share 33p (33p), no ordinary dividend.

WIGHT HOLDINGS (Building and engineering contractor) — Results reported May 14 for year ended January 31 1981: shareholders' funds £1.7m (£1.69m); fixed assets £1.09m (£479,968); current assets £2.36m (£2.98m); current liabilities £1.8m (£1.76m). Meeting, Edinburgh, June 24 1981, 10 am.

LAND SECURITIES INVESTMENT TRUST (UK's largest property company)—Results for year ended March 31 1981 reported May 19. Shareholders' funds £1.43bn (£883.98m); properties £1.67bn (£1.2bn); current assets £133.88m (£45.39m) including short-term deposits £108.1m (£26.01m); long-term borrowings £255.65m (£261.64m); short-term borrowings £11.25m (£11.43m). Auditors point out that company has not estimated amount of tax on capital gains which would become payable in the event of future sales of properties at the amounts at which they are stated in the accounts. Meeting: Devonshire House, W1, June 29, noon.

JOHN CROWTHER GROUP (woollen textile manufacturer)—Results for 1980 reported May 16. Shareholders' funds £1.53m (£2.11m); fixed assets £1.8m (£1.89m); net current liabilities £271,670 (£222,489). Meeting: Huddersfield, June 24, 11.00 am.

CATER RYDER AND CO.—Results for April 30 1981 year reported May 14. Net current assets £11.28m (£11.13m). Shareholders' funds £10.05m (£11.12m). Meeting, 1, King William Street, EC, June 30, 12.30 pm.

GRAMPIAN TELEVISION—Results for February 28 1981 year reported April 25. Group fixed assets £4.49m (£3.55m). Net current liabilities £177,000 (£152,000). Shareholders' funds £4.11m (£3.06m). Meeting, Aberdeen, June 25, 12.30 pm.

KUALA SELANGOR RUBBER COMPANY (Malaysian rubber and palm oil producer, ultimate holding company Harrisons and Crosfield)—Results for 1980 reported May 15. Shareholders' funds £507,868 (£505,278); net current assets £143,012 (£144,628); estate £279,294 (£276,480); increase in working capital £24,976 (£74,366); pre-tax profit £310,469 (£296,052) reduced to £269,000 by current cost adjustments. Meeting, Great Tower Street, EC3, June 25, 12.30 pm.

YOUGHAL CARPETS (HOLDINGS)—Results for 1980 reported May 9. Group fixed assets I£8.48m (I£9.49). Net current assets £12.11m (£11.2m). Shareholders' funds £7.52m (£6.05m). Meeting, Youghal, Eire, June 26.

WARNFORD INVESTMENTS—Results for 1980 already known. Net current liabilities £1.73m (£32,221). Shareholders' funds £7.43m (£7.34m). Meeting, 20, Aldermanbury, EC, on August 4, 3 pm.

WETTERN BROS.—Results for 1980 already known. Group fixed assets £2.82m (£1.46m). Shareholders' funds £1.85m (£2.24m). Net current liabilities £369,000 (£1.01m assets). Meeting, Croydon, June 25, 11 am.

HEADLAM, SIMS AND COGGINS (footwear)—Results for January 31 1981 year reported May 26. Shareholders' funds £2.03m (£1.67m). Net current assets £1.54m (£1.43m). Net liquid funds increased by £162,882 (£153,098 decrease).

HOVERINGHAM GROUP—Results for year ended December 31 1980 reported May 16. Shareholders' funds £31.42m (£30.23m). Fixed assets £37.27m (£37.89m). Net curren assets £7.9m (£4m). Meeting, Nottingham, June 24, 11 am.

NEWMAN INDUSTRIES—Results for 1980 reported May 16. Group fixed assets £20.44m (£19.77m), net current assets £5.81m (£5.96m). Roger Baldwin resigned as executive director and vice-chairman on April 10. Shareholders are asked to approve payment of £43,000 to Mr. Baldwin. He was co-opted to board on May 28 as non-executive director. Meeting, Bristol, June 30, 3 pm.

85 companies wound up

Compulsory winding up orders were made against 85 companies by Mr Justice Dillon in the High Court. They were:

Claybridge Shipping Company, Ramana Health Foundation, Elsamanda, D. Evers and Associates, McCloskey and McGrath Contractors, Harmer Green Contractors, El Nile Club, Dennis M. Williams, Shortlands Press;

George Rizk Trading Co, Hensley Construction, Frank Rees (Hayes), South West Advertising Consultants (Bristol), J. Randall Contractors, B. J. Tools (Croydon), Charmick 81 (formerly Mainline Microsystems);

Oakglade Heating, Simiville, Birchstone, Tangsong, Leicester Camera Exchange, B.B.S. Insurance Brokers;

Valley Scaffolding, Omnibus Travel (London), Robert Catcher and Associates, Ex-Tra International (Exhibitions and Trade Fairs), L. A. Lockhart and Company, Martendells;

Wilshire Rodaeo, Classminster, Camberville Properties, Landowner Securities, Progressive Identification System, Peelwood; Dalboon, Sevres Knitwear, Berrygilt, Desiron; Darleo Newsagents, Spurdeck, Cowal Supplies;

Gray and Butt, Watervance, Trio Economy Insulation, Streamberry Construction, Tower Caterers Supplies, K. A. Whitmee;

Lindsell Poultry Farmers, A. and H. Heating and Plumbing, Davison and Walton, Cuberise, Capsite Holdings;

Onsite Precision Engineers, Dot (Wholesale Office Equipment and Stationery Supplies), Lennox Building Contractors, Chapman Construction Company, Salmon and Co. Commercial Vehicles;

Apex (Improvements), Vidtech, Pork Fare, Hamilton Carhartt, Simgrant, Statrule, Gale Managements, Babeatta;

Ruslink, Peal Photographic and Audio, Takelit Building Services, Rathbart, Dinkar Textiles, Lawmajor;

Skillwise, Barrelfare, N. J. Phillips (Office Supplies), Cottage Care, J. and G. Meats;

Sleward, Brittains-Aborfield, Sizekarn, Banstead Contractors;

Spearsteer, MJL Fuels, Backstage Productions, Hodghton Wholesale Company, Robern Steels.

Metal Box Limited Preliminary Results

Year ended 31st March 1981

Mr. D.I. Allport, Chairman and Chief Executive, reports:

The Year Under Review

The last twelve months in the United Kingdom have been the most difficult in the Company's history. The Board believed that despite the aftermath of the steel strike, the year ended 31st March would show an improvement on the previous year. This expectation was dashed by the poor results of the Company in the United Kingdom in the first six months of the financial year and the failure of any improvement in the second half to materialise.

Demand for the Group's products was badly affected by a combination of adverse circumstances, some of which were common to industry as a whole, and some of which were specific. De-stocking at all levels in the chain of distribution had a very major influence, although it is not possible to quantify this precisely. The strength of sterling in relation to other currencies made exporting more difficult and less profitable and led to increased imports of empty and filled containers. In the beverage market the poor summer weather reduced demand and with the effects of competition from other can makers and from the PET bottle, significantly reduced can margins. Almost all the other areas of the Company's business in the United Kingdom have suffered similar problems.

In the Stelrad Division the length and depth of the recession, coupled with the restrictive sales policy of British Gas, brought about a forty per cent drop in the United Kingdom domestic central heating market. In the second half of the year the pattern of a fall in consumer demand and de-stocking at home was repeated in Stelrad's other European markets.

The short time working which was introduced during the steel strike had to be continued after the ending of the strike, while steel supplies were being restored to normal. This short time working had then to be extended and became more widespread as the impact of the deteriorating market situation began to make itself felt.

It became necessary to take decisive and unpalatable action to reduce costs and establish a stronger base for the future. As a consequence a significant reorganisation programme was instituted.

A detailed examination of all corporate activities has also taken place which resulted in job losses and the cessation of a number of activities not wholly essential to the successful operation of the Company under present conditions.

Some of these steps, connected with the introduction of new technology, would in any case have been necessary but were planned to take place over a longer time scale.

In the twelve months to March 31st 1981 the numbers employed in the United Kingdom fell by 4,589 or 13.8%. This streamlining, which has occurred at all levels, has not yet been completed and it is expected that there will be a further fall before the employment level stabilises later in the year, as we hope it will.

Depressing though the results are, the position would have been significantly worse had it not been for the activities overseas. The Overseas Division has, again, made a substantial profit contribution. The spread of the Company's activities around the world is a great source of strength.

A base for the future

As a result of the steps the Board has taken to review Group activities, improve efficiencies and reduce costs, Metal Box is significantly better positioned to take advantage of the return, when it comes, to what might reasonably be regarded as more normal conditions.

Cash

Whilst the Group has maintained the level of its essential capital expenditure, throughout the year there has been a major, sustained and successful, effort to conserve cash. This effort will be continued.

Consolidated (Unaudited) Profit Statement — Years to 31st March

	Historical Cost 1981 £m	Historical Cost 1980 £m	Current Cost 1981 £m	Current Cost 1980 £m
Sales	1,076.1	1,122.0	1,076.1	1,122.0
Trading Profit	52.4	80.5	10.6	30.3
Associated Companies	3.5	2.1	3.2	1.6
	55.9	82.6	13.8	31.9
Interest	26.8	19.8	26.8	19.8
Gearing adjustment	—	—	(9.2)	(10.1)
Profit (loss) before taxation	29.1	62.8	(3.8)	22.2
Taxation	14.2	19.3	(14.2)	19.3
Profit (loss) after taxation	14.9	43.5	(18.0)	2.9
Interest of minority shareholders	9.1	5.5	4.0	1.6
Profit (loss) before extraordinary items	5.8	38.0	(22.0)	1.3
Extraordinary items	(21.0)	(3.1)	(21.0)	(3.1)
Interest of Metal Box Limited	(15.2)	34.9	(43.0)	(1.8)
Dividends paid and proposed				
Preference	0.1	0.1	0.1	0.1
Ordinary	8.1	15.2	8.1	15.2
	8.2	15.3	8.2	15.3
Earnings per £1 ordinary stock unit	7.6p	50.8p	(29.5p)	1.6p

The Outlook

There are now some indications that the worst of the problems are over. De-stocking, which has affected demand so adversely, appears to be decelerating and there are some tentative signs in several parts of the business of a hesitant recovery. The Board does not yet know whether this will continue and, in the light of the prospects for consumer expenditure during the coming months, cannot be confident that it will.

However, the Board is hopeful that a slow national economic recovery will lead to a steady improvement as the year progresses and that, as it does, Metal Box will reap the benefits of the action that has been taken.

Dividends

An interim dividend of 4.2p per £1 Ordinary Stock unit was declared during the year and paid on 19th January 1981.

The directors recommend the payment of a final dividend of 6.51p to bring the total for the year to 10.71p. The total dividend with the related tax credit of 4.59p represents a decrease of approximately 47 per cent on the total dividend of 20.3p and related tax credit of 8.7p for the previous year. If approved, the final dividend will be paid on 24th July to holders registered on 26th June 1981.

Net expenditure on fixed assets in the year at home and overseas was £53.8 million, which included £4.2 million on acquisitions.

Accounts for the year ended 31st March 1981 will be posted to stockholders on 29th June 1981.

The Annual General Meeting will be held at 12 noon on Thursday 23rd July 1981 at Plaisterer's Hall, 1 London Wall, London EC2.

Amax is to sell two companies

AMERICA'S LEADING mining company, Amax, is to sell two wholly-owned oil and gas exploration subsidiaries in Canada to Fairweather Gas for an estimated C$213m (£90m). Final agreement on the sale of the two companies, Alamo Petroleum and Amax Petroleum of Canada, is expected to be reached in July.

Last month, Amax announced that it intended to sell by tender its 30 per cent stake in Adobe Oil, after failing to reach agreement on the terms of a merger. That sale is expected to be worth about US$150m (£77m).

Amax Petroleum of Canada has been a subsidiary since the early 1960s, while Alamo was acquired as a result of the takeover by Amax of Rosario Resources in April last year.

Fairweather Gas, a Canadian company, is owned by BC Sugar Refining and Anderson Exploration.

Amax has heard nothing more from Standard Oil of California since that company made its record-breaking US$4bn takeover offer, but it is thought in some quarters that Socal may be preparing another approach, this time with a price more in line with the offers made by Sohio to Kennecott Copper and by Fluor to St Joe Minerals.

Rhodall faces harder times

A GLOOMY picture of immediate prospects is forecast by Rhodall, the Anglo American Corporation group's Zimbabwean ferrochrome producer which in the past year to March 31 failed to meet its prospectus profit forecast but managed to pay the forecast dividend of 9 cents (6.5p).

Rhodall earned a net Z$3.58m (£2.6m) while costs rose by some Z$5m. At March 31 the company was carrying unsold stocks valued at more than Z$42m, equal to about a year's production, reports our Salisbury correspondent.

Because some of the 1980-81 sales were made from stockpile material, the results did not fully reflect the stee rise in costs. The company thus warns that when the level of stocks is reduced and a greater proportion of sales is made from current production there will be a "considerable" fall in profitability.

On the Zimbabwe Stock Exchange, Rhodall shares have fallen to 75 cents (54p). In May of last year 3m shares (equal to 12 per cent) were offered to the public at a price of 125 cents. The issue was more than four times over-subscribed and in first dealings the shares traded up to 140 cents.

ERPM, Durban cut interims

THE South African marginal gold producer, East Rand Proprietary Mines (ERPM), is cutting its 1981 interim dividend to 50 cents (28.5p) from 175 cents a year ago when the subsequent final amounted to 195 cents. The sharp cut in the latest payment, however, is not entirely unexpected.

Involved in a major modernisation and expansion programme, the company earlier indicated that it should be able to pay an annual rate of 360 cents during the programme if the gold price averaged $600 per ounce in the 12 months to June 30 next and thereafter rose at the same rate as working costs.

During the first five months of this year the price has averaged only $514 (it was $472½ yesterday(. ERPM still intends to press on with the expansion programme but has reduced the latest dividend in order to conserve cash resources.

Durban Deep, another marginal gold mine, is cutting its interim to 85 cents from 160 cents last time when there was a final of 300 cents; here again the cut is not unexpected and is possibly a little less than had been feared.

Blyvoor is paying a final dividend for the year to June 30 of 100 cents which matches most expectations. It makes a total for the year of 260 cents compared with 285 cents for 1979-80.

Better output by Gopeng

Malaysia's Gopeng Consolidated achieved a much better tin concentrate output last month of 158¼ tonnes which brings the total for the first eight months of the current financial year to 1,057¾ tonnes against 1,278¾ tonnes in the same period of 1979-80.

The company's Mambang Di-Awan joint venture, which commenced operations in January, has so far produced 82½ tonnes of tin concentrates.

Output as the single-dredge producer, Tanjong, continues to lag at 65½ tonnes for the past five months compared with 97 tonnes a year ago, while the five-month total for Idris comes out at 33 tonnes against 89½ tonnes. Pengkalen's dredge, which sank in January, is still being rehabilitated.

	May tonnes	Apr. tonnes	Mar. tonnes
Gopeng	158¼	122¾	139¾
Mambang	22¾	30¼	11¼
Tanjong	14	13	8½
Pengkalen	nil	nil	nil

Good start at Penarroya

FRANCE'S Penarroya, the non-ferrous metals subsidiary of the Rothschild-controlled Imetal group, has managed to maintain the level of business during the first few months of the current year, despite the difficult economic climate.

M Bernard de Villemejane, chairman, told the annual meeting that this had been achieved by stepping up the pace of the company's exports to compensate for the slackness in domestic demand.

Group profits last year fell to FFr 50.78m (£4.4m) from FFr 87.08m in 1979, with the bulk of this coming from lead, zinc and silver.

M de Villemejane was not prepared to make a forecast of the likely outcome for 1981, but he said that Penarroya expects to start production from its gold-silver property at Bourneix, near Limoges in western France, in 1982.

The company's main new overseas projects include the development of a copper orebody at Noves-Corvo in Portugal and iron ore at Wambo in Australia.

ROUND-UP

One of Canada's leading mining companies, Teck Corporation, has turned in lower profits for the second quarter and first half of the current year, following a poor performance in the first quarter.

Net profits for the six months were C$10.6m (£4.2m), against C$16.9m for the previous corresponding period. At the annual meeting in February, Dr. Norman Keevil, president, said the second quarter was likely to provide poor results, but the group looks for an upturn in the second half.

The remainder of the year will be helped by production from the new C$150m Highmont copper-molybdenum mine in the Highland Valley area of British Columbia.

After the inclusion of extraordinary items, primarily gains on the sale of investments and the transfer of a 20 per cent interest in Highmond to West Germany's Metallgesellschaft, earnings from all sources for the first half are shown at C$25.3m, an advance of C$3m.

LONDON TRADED OPTIONS

June 8 Total Contracts 1001; Calls 779, Puts 222

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	360	18	18	30	—	46	3	362p
BP (c)	390	5	20	17	3	29	20	"
BP (c)	420	3	6	10	8	20	—	"
BP (p)	360	12	20	22	—	26	11	"
BP (p)	390	34	15	38	—	42	—	"
BP (p)	420	60	—	62	—	64	10	"
Com. U'n (c)	150	17	—	22	6	30	—	172p
Com. U'n (c)	180	6	—	13	6	16	—	"
Cons. Gld (c)	460	40	—	58	—	68	8	485p
Cons. Gld (c)	500	16	21	32	3	48	5	"
Cons. Gld (c)	550	5	31	15	5	30	6	"
Cons. Gld (c)	588	3	2	—	—	—	—	"
Cons. Gld (c)	638	1½	6	—	—	—	—	"
Court'lds (c)	60	10½	—	13½	—	15½	12	67p
Court'lds (c)	70	3½	30	8	16	10	5	"
Court'lds (c)	80	1	—	3½	5	6½	—	"
GEC (c)	600	97	7	118	—	—	—	688p
GEC (c)	650	52	7	77	3	102	—	"
GEC (c)	700	18	4	47	—	73	—	"
Gr'd Met. (c)	180	27	—	30	4	38	—	203p
Gr'd Met. (c)	200	10½	2	18	3	26	1	"
Gr'd Met. (c)	220	2½	14	10	2	16	—	"
ICI (c)	250	28	10	37	—	—	—	280p
ICI (c)	280	14	—	21	6	34	1	"
ICI (c)	300	5½	3	14	11	24	3	"
ICI (c)	330	1	35	5	13	14	10	"
Land Sec. (c)	390	10	23	26	—	33	—	378p
Mks & Sp (c)	120	8	11	15	—	22	6	123p
Mks & Sp (c)	130	4	3	10½	35	16	11	"
Mks & Sp (c)	140	1½	9	6	17	9½	6	"
Shell (c)	330	36	—	44	5	—	—	352p
Shell (c)	360	15	—	25	2	36	3	"
		August		**November**		**February**		
Barclays (c)	360	53	—	57	6	—	—	401p
Barclays (c)	390	33	—	38	1	55	—	"
Barclays (c)	420	17	—	22	1	38	—	"
Barclays (c)	460	4	—	10	1	—	—	"
Imperial (c)	70	4½	3	6½	5	9½	—	71p
Imperial (c)	80	2	—	3½	—	6½	16	"
Lasmo (c)	500	57	—	82	5	102	—	522p
Lasmo (c)	550	32	5	55	—	77	—	"
Lasmo (c)	600	17	5	37	—	57	—	"
Lasmo (c)	700	6	—	10	12	—	—	"
Lonrho (c)	90	8½	26	13	6	17	—	94p
Lonrho (c)	100	4½	75	7	8	10½	1	"
Lonrho (c)	110	2½	59	5	12	—	—	"
Lonrho (p)	90	3½	10	5	6	8	—	"
Lonrho (p)	100	8	—	10	—	13½	50	"
P & O (c)	150	3	10	6	—	—	—	134p
P & O (c)	180	1½	—	2½	5	—	—	"
Racal (c)	330	37	—	56	5	—	—	360p
Racal (c)	360	20	3	36	1	49	—	"
Racal (p)	390	11	5	22	2	34	—	"
Racal (p)	360	18	25	23	—	27	1	"
Racal (p)	390	35	70	38	1	40	3	"
RTZ (c)	420	105	—	118	2	—	—	510p
RTZ (c)	500	40	6	55	2	75	—	"
RTZ (c)	550	20	5	35	—	50	—	"

C=Call P=Put

Bertrams back in the black at midway

Short-time working and a freeze on wages has enabled Bertrams, paper and board machinery manufacturer, to return to profit in the six months to March 29, 1981, with a surplus of £13,000. This compares with losses of £48,000 for the corresponding period and £194,401 for the whole of the previous year.

In addition to redundancies and the foundry closure already anounced, Mr A. T. Montgomery, the chairman, says the workforce at the group's engineering plant is also being reduced by half.

A board review is aimed at rationalising manufacturing facilities and disposing of surplus assets.

Work in hand will be completed in the next few months, says Mr Montgomery, and the success of efforts to obtain new orders will determine whether or not the first-half improvement will be maintained.

Turnover for the six months was virtually static at £1.66m (£1.67m). The dividend is again omitted—the last distribution was a 1p midway payment in 1979.

SHARE STAKES

A. and J. Gelfer — Scottish Amicable Life Assurance Society holds 600,000 shares.

Lake View Investment Trust—London and Manchester Assurance Company has disposed of £22,500 of 5 per cent cumulative preference stock leaving its stock holding at £129,500 (24.37 per cent).

London and Gartmore Investment Trust—Hampshire County Council superannuation fund has increased its holding to 720,000 shares (16.94 per cent).

S. Pearson and Son—Disposal is notified of 364,260 shares in which Mr C. P. Gibson, a director of Pearson Longman, had a notifiable interest.

Reo Stakis Organisation—Electra Investment Trust states that following the sale of 50,000 shares it is now interested in 2,725,000 shares of Reo Stakis (4.97 per cent)—no longer a notifiable interest.

Talbex Group — Yorkgreen Investments has acquired 210,000 ordinary, making a holding of 3,210,000 shares (12.9 per cent).

Craig and Rose—Croda International disposed of its £12,258 (12.26%) holding of ordinary stock. Scottish American Investment Company holds £12,698 ordinary stock (about 12.7 per cent).

Cullen's Stores—Lennon Group holds 50,099 ordinary shares (over 5 per cent).

Premier Cons. Oil doubles profit and expects better year

A SHARP fall in production costs more than doubled pre-tax profits of Premier Consolidated Oilfields to £1.3m in the year to March 31 1981, compared with £505,000 last time.

In the current year, a substantial increase in oil and gas production should produce very considerable improvements in the group's operating revenues, says Mr R. C. Shaw, chairman.

The gas field at Reggente in Italy, and oil and gas wells in Utah and Texas would be coming on stream, and tax legislation recently enacted in Trinidad and Tobago would make oil production there profitable.

Continuing the policy of ploughing revenues back into exploration with a view to capital appreciation, the directors are again omitting the dividend. But they propose to make a one-for-ten scrip issue to mark the increase in the real value of the group's assets.

Net profit for the year is £6.08m after including the £5.61m proceeds of the sale of half the group's holding in London and Scottish Marine Oil Company. This compares with a net loss last year of £271,000 and is also struck after tax of £1m (£680,000) and an unrealised exchange gain of £168,000 (£96,000 loss).

The directors say the retained interest in LASMO is valued at £6.56m in the accounts.

Turnover, comprising sales of oil, gas and coal and operating fees, fell from £3.16m to £2.86m, reflecting the closing of coal sales and the reduction in working interest in Californian oil leases following the payout of Premier's investment there.

However, total trading revenues edged ahead from £3.58m to £3.68m with the inclusion of higher dividend and interest income of £778,000 (£371,000).

The pre-tax surplus was struck after charges including production costs down from £1.73m to £854,000, depreciation of £205,000 (£497,000) and exploration expenditure written off £295,000 (£34,000).

Earnings per 5p share are shown as 0.33p against 0.25p loss.

The directors have decided not to prepare current cost accounts, believing them to be highly misleading, especially where assets are concentrated in exploration acreage of high potential value.

Mr Shaw says the group's technical staff rank Block 12/23 in the Moray Firth, awarded to a consortium which includes Premier, as one of the most prospective on offer. Premier has been granted the licence as operator for four British companies, together with the Finnish national oil company and the Axel Johnson group of Sweden.

The group's exploration assets are concentrated as to 61 per cent of cost in the U.S., with most of the remainder in UK onshore and offshore areas.

● comment

Since selling half of its Lasmo stake last December at a book profit of £5.6m, Premier Consolidated's nearest approach to a problem seems to have been deciding on suitable ways to reinvest the money. There is still an intention to buy U.S. companies, given the chance at a suitable price. But so far Premier has not achieved this aim. There is, however, no shortage of uses for the cash; Premier has gone on drilling and buying exploration acreage in the western U.S. Evaluation of Block 12/23 in the Moray Firth will absorb resources next year. There should be more cash flow from operations, as the Reggente gas field comes on stream at the end of this year, and the flow from wells in Texas increases. The Trinidad government's switch from a reference-price basis for tax to a form of PRT has lowered the effective tax-rate from 100 per cent to 80 per cent, and Premier will consequently feel inclined to produce more. At 64p, up 1p yesterday, the shares stand more than 40 per cent below their 1980 high, and at much the same discount to most estimates of assets.

LLOYDS BANK

Following final verification of the acceptances received under the terms of the offer for the ordinary shares in Lloyds and Scottish, a total of 4.07m new shares in Lloyds Bank is required to be issued as consideration to satisfy the share alternative.

The alternative has now closed in accordance with its terms but the offer remains open until further notice for further acceptances to be received.

Guthrie Corporation in Malaysian deal worth £24.4m

THE MALAYSIAN group, Multi-purpose Holding Berhad (MPH), has concluded an agreement to acquire Guthrie Corporation's entire 73 per cent stake in Guthrie Berhad for S$101.25m cash (£24.4m).

The total consideration for the purchase of the 24.25m shares held by Guthrie through its wholly owned subsidiary, Guthrie and Company Far East, was based on the price of S$4.175 per share.

As a result of the acquisition, MPH will make a general offer for all the remaining Guthrie Berhad shares not already owned by it on the same terms of S$4.175 per share cash in compliance with the Singapore Code on takeovers and mergers.

The offer is unconditional as to the level of acceptance. Guthrie Berhad shares were last traded at S$4.24 per share before being suspended last week.

Prior to the agreement MPH and its subsidiaries did not own any shares in Guthrie Berhad.

Guthrie Berhad is the trading and industrial arm of Guthrie Corporation in Singapore and Malaysia. The corporation's plantation interests in Malaysia are controlled by its other companies, Guthrie Ropel Berhad and Kumpulan Guthrie Sendirian.

About 60 per cent of the Guthrie Berhad's turnover is accounted for by its Malaysian operations. With the sale of Guthrie Berhad, Guthrie Corporation's main involvement in Singapore and Malaysia will be largely in the plantation sector.

Guthrie Corporation's decision to dispose of its stake in Guthrie Berhad is in keeping with its corporate policy of maintaining full management control over activities in which it has an interest. In view of Malaysia's new economic policy which requires control to be increasingly placed in local hands, Guthrie Corporation would have had difficulty in pursuing this aim.

MPH's head Mr Tan Koon Swan, who is also a Member of Parliament in Malaysia and one of the country's most successful entrepreneurs disclosed that the acquisition of Guthrie Berhad is in line with its objective of developing MPH into an international trading group.

Besides a substantial involvement in Malaysia, it already has interests in the UK through Phicom and in Hong Kong through Intercontinental Housing Development (IHD).

It also has a joint venture with Guthrie Berhad. Mr. Tan said that MPH at present had no intention of changing the name of Guthrie Berhad or its management. It hopes to secure a listing on the Kuala Lumpur Stock Exchange at a later stage. Guthrie Berhad is currently listed only on the Stock Exchange of Singapore.

MPH has appointed N. M. Rothschild and Sons Singapore as its financial adviser in this transaction.

Racal negotiations with Tatung are resumed

BY JASON CRISP

NEGOTIATIONS between Racal and the Taiwanese company Tatung over the Decca television plant at Bridgnorth, Shropshire have resumed after breaking down last week.

Mr T. S. Lin, chairman of Tatung flew from Taiwan and met Mr Ernest Harrison, chairman of Racal on Friday and discussions were described as very cordial. Earlier last week, negotiations with Mr Lin's son were broken off in acrimonious circumstances. Racal then described Tatung's behaviour as totally unacceptable.

Negotiations resumed over the weekend involving both companies, the unions and employees. According to APEX, the white collar workers' union, Tatung has agreed to employ 500 people effective from June 1.

A mass meeting of employees yesterday accepted the terms which had been negotiated by the unions, which protect Racal from any claims being made on it by the employees, says APEX.

Racal took over Decca last year for £101m and has maintained that it would sell off the television side of the company. An announcement in February said that the business and fixed assets would be sold for £1.3m to Tatung. It also said that Racal would retain the "net current assets" including unsold stocks worth £15m.

Institutions delay decision on Allianz offer for Eagle Star

FINANCIAL institutions with holdings in the Eagle Star Insurance Company were determined yesterday to leave their response to the tender offer for shares by Allianz Versicherung, West Germany's leading insurance company, until the last moment.

The offer is being made at a maximum of 290p per share following a dawn raid on June 1, during which Allianz took up a 15 per cent stake in the Eagle Star. Under new regulations, this is the maximum stake which could be acquired during a dawn raid, which must then be followed with a tender offer. The offer closes at 3 pm today.

At the close of yesterday's trading Eagle Star shares were 283p, up 3.

Britannia, one of the largest unit trust managers, said yesterday it is taking a long-term view of its holding in Eagle Star. As a result it will not be tendering its holding. The price being offered by Allianz, it said, is not high enough in relation to underlying assets in Eagle Star and, bearing in mind the fact that insurance shares in general are low in price at the moment.

The group added that if a further offer arose after this offer closed, a further examination would have to be made.

Other holders concur: A pension fund to a major public utility company said that the price was not yet high enough.

One other pension fund to a major industrial company said that, although it had helped Allianz "in the first instance," it was not prepared to go further at the moment. It hoped, it said, that there was "more to come." Another utility pension fund said that although Allianz might well win through, it may trade in just a portion of its holding in Eagle Star, and would probably maintain a substantial core of shares.

On the other hand, another industrially orientated financial institution said it thought that Eagle Star should be able to convince its shareholders that the bid is, indeed, undervalued. It had not, however, decided on its stance in relation to its holding.

One insurance company said it would not respond to the tender, but believed that, had Allianz been permitted to obtain more shares during its initial attack, it might well have been more successful. However, as the new regulations limited the approach and required a later tender offer to be made, the first impetus may have been lost, meaning that the whole of the additional stake required by Allianz is now no longer assured.

Part of that initial stake is now firmly believed to have come from the purchase of the Kuwait Investment Office's 5.5 per cent holding in Eagle Star. The KIO was reluctant to comment on this yesterday, but although Morgan Grenfell, Allianz's bankers, said Allianz did not own any shares before the raid took place, Eagle Star said it understood from Allianz itself that the KIO's shares were committed at that time.

Gamma again lifts bid for Hield

THE Chamsi Bacha family has again upped the stakes in its bid for control of Hield Brothers, the loss-making Bradford based worsted cloth manufacturer. And the directors are again recommending holders to accept.

Bidding through Isle of Man based Gamma Beta Investments, the private company of the Chamsi Bacha family, the Middle Eastern textile trading group is offering 15½p cash for each Hield ordinary unit and 66p cash for the preference shares, placing a total value on the company of £2.5m. The Hield shares were unchanged at 15½p yesterday.

This is the second revised offer from Gamma Beta and brings to five the number of offers Hield shareholders have received in as many weeks. The offer compares with Gamma's bid of 13½p cash for the ordinary and 62p cash for the preference made at the end of May which was topped by Stroud Riley Drummond last week.

Stroud, which purchased a 27.4 per cent stake in Hield from Illingworth Morris at the end of last year, has offered a mixture of shares and cash (at yesterday's prices worth 15.3p per Hield share) with a cash alternative of 14p. The preference offer was 65p.

The Hield board is advising holders to ignore the increased offers from Stroud "which it considers are not in the interests of Hield, its employees or its members."

Mr. Richard Stroud, chairman of Stroud Riley, said yesterday that a board meeting would be held later this week to consider the full implications of the latest offer from Gamma Beta.

The Chamsi Bacha family intends to accept the offer in respect of 11.8 per cent of the ordinary capital and 0.6 per cent of the preference and the directors intend to accept for their 1.2 per cent of the ordinary capital and 0.8 per cent of the preference. Together with acceptances to date of 14.9 per cent of the ordinary and 32.2 per cent of the preference, this gives Gamma Beta 28.8 per cent of the total votes of Hield.

Waterlow & Sons to buy Oyez Press for £2m cash

Waterlow and Sons, a wholly-owned subsidiary of BPC, has agreed in principle to purchase Oyez Press from Solicitors Law Stationery Society, for about £2m cash. The proceeds will be used by Oyez Group to reduce its bank borrowings.

The acquisition is subject to contract and approval of SLSS's shareholders. The Thomson Organisation who, with the Thomson family interest, hold over 50 per cent of the issued share capital of SLSS, have indicated that they will support the recommendation of the SLSS board.

On completion of the acquisition the company will trade as Waterlow and Oyez Press with Lord Kearton, chairman of BPC, as non-executive chairman and Mr Bernard Taylor as managing director.

BPC was rescued from collapse in the spring by Mr. Robert Maxwell's Pergamon Press in a £10m major restructuring which involved the group's banks.

Waterlow and Sons is a security printer and Oyez Press a leading financial and City printer.

Bid for A.A. Tramways 'fair and reasonable'

THE UNCONDITIONAL cash offer by Energy Finance and General Trust to acquire the whole of the issued ordinary share capital of the Anglo-Argentine Tramways Company, other than the 2.11m or 52.9 per cent already held, has been sent to shareholders.

Energy Finance and General Trust provides a full range of corporate finance services, including investment management and leasing. It also has interests in oil and gas properties in the U.S. and manages drilling funds on behalf of investors.

Energy Finance director Mr P. M. Featherman says his group intends to develop and expand the interests of AAT through the introduction of new activities, possibly by the acquisition of suitable existing businesses. It also intends to regain the listing of AAT shares on the Stock Exchange.

The directors and advisers of AAT, Baring Brothers, consider the terms of the offer—28p in cash for each AAT share—to be fair and reasonable and should be accepted.

The offer closes on June 29 and will not be increased or extended beyond that date.

● English Finance and General Trust subsidiary English American Oil and Gas Corporation, based in Houston, has agreed to acquire a 5 per cent working interest in certain leases in Tulsa and Okmulgee counties, Oklahoma, and is expected to contribute approximately $12,500 per well on the basis of a one quarter interest for one third of the anticipated costs.

The subsidiary has also agreed to participate to the extent of 10 per cent with Heron Oil Inc. in the acquisition of some 10,000 acres in Mayes, Roger and adjacent counties in Oklahoma.

GASCO/PIRAN OFFER EXTENDED

The period for acceptance of the offer by Gasco Investments (Netherlands) BV for Saint Piran has been extended until further notice.

Gasco owns 9,916,764 ordinary shares of Piran representing about 85 per cent of the share capital.

FLIGHT REFUELLING AND STANLEY

The proposed acquisition by Flight Refuelling (Holdings) of those shares in Stanley Aviation Corporation it does not already own will be put to the vote at a meeting of Stanley's shareholders on June 29.

Flight Refuelling, a UK aircraft maintenance group, currently holds 44.3 per cent of the U.S. company's share and agreed earlier this year to pay $24 each for the remainder. Stanley's board recommended acceptance of the offer.

A copy of this Offer for Sale, having attached thereto the documents specified below, has been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange for the whole of the share capital of Cambridge Electronic Industries p.l.c. ("CEI") issued and to be issued to be admitted to the Official List. This Offer for Sale includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to CEI. The Directors of CEI have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors of CEI accept responsibility accordingly.

The Application List for the Ordinary Shares now offered for sale will open at 10 a.m. on Friday, 12th June, 1981 and may be closed at any time thereafter.

Cambridge Electronic Industries p.l.c.

Offer for Sale

by

Baring Brothers & Co., Limited

on behalf of

Philips Electronic and Associated Industries Limited

of

21,600,000 Ordinary Shares of 25p each at 75p per share

payable in full on application

DIRECTORS OF CEI

R. M. A. Jones (*Chairman*)	The Old Rectory, Oulton, Lowestoft, Suffolk
R. A. King (*Managing Director*)	8 Barrow Road, Cambridge
A. B. Faulds (*Commercial Director*)	New Bungalow, Woodditton Road, Newmarket, Suffolk
F. Moon (*Financial Director*)	3 Woodlands Road, Great Shelford, Cambridge
B. R. Overton (*Technical Director*)	Towns End, 15A Comberton Road, Barton, Cambridge
K. W. Cook (*Non-executive Director*)	Uplon, 15 High Trees Road, Reigate, Surrey
A. P. Hichens (*Non-executive Director*)	Parkhurst, Abinger Common, Surrey
R. J. F. Howard (*Non-executive Director*)	Springwood House, Ickwell Green, Near Biggleswade, Bedfordshire
J. B. H. Jackson (*Non-executive Director*)	White Rocks, Underriver, Near Sevenoaks, Kent

The Ordinary Shares now offered for sale rank in full for all dividends hereafter declared or paid on the Ordinary Share capital of CEI

SHARE CAPITAL

Authorised		Issued or to be issued and fully paid
£12,478,275	Ordinary Shares of 25p each	£9,000,000

Indebtedness

On 15th May, 1981, CEI and its subsidiaries had outstanding bank overdrafts of £162,110 (which were unsecured), long-term loans of £62,000 (which were secured), and guarantees of indebtedness of £1,214,477. Except as aforesaid and save as disclosed in this Offer for Sale and save for intra-group transactions, neither CEI nor any of its subsidiaries had outstanding at that date any loan capital (whether outstanding or created but unissued), mortgages or charges, *borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other* than normal trade bills) and acceptance credits, hire purchase commitments or guarantees or (except for contingent liabilities arising in the ordinary course of business) other material contingent liabilities.

SUMMARY OF INFORMATION

The information set out below should be read in conjunction with the full text of the Offer for Sale

Offer for Sale price	75p per share
Market capitalisation at Offer for Sale price	£27 million
Shareholders' funds as shown in the audited consolidated balance sheet at 31st December, 1980	£29.5 million
Forecast profit before taxation	not less than £5 million
Forecast fully taxed earnings per share*	6.1p
Prospective price/earnings multiple at the Offer for Sale price*	12.3
Forecast net dividend for the year ending 31st December, 1981	3.7p per share
Prospective gross dividend yield at the Offer for Sale price	7.05 per cent.

* Assuming profit before taxation for the year ending 31st December, 1981 of £5m and based on a full charge for corporation tax at the rate of 52 per cent. and after deducting minority interests of £0.2m. A significantly lower actual corporation tax charge is expected in 1981.

SECRETARY AND REGISTERED OFFICE

F. A. Royle, F.C.I.S.	Botanic House, 100 Hills Road, Cambridge CB2 1LQ

RECEIVING BANKERS

Baring Brothers & Co., Limited	145 Leadenhall Street, London EC3V 4QT

STOCKBROKERS

W. Greenwell & Co.	Bow Bells House, Bread Street, London EC4M 9EL
Cazenove & Co.	12 Tokenhouse Yard, London EC2R 7AN

SOLICITORS TO CEI

Slaughter and May	35 Basinghall Street, London EC2V 5DB

SOLICITORS TO THE OFFER

Linklaters & Paines	Barrington House, 59/67 Gresham Street, London EC2V 7JA

AUDITORS AND REPORTING ACCOUNTANTS

Coopers & Lybrand (*Chartered Accountants*)	Abacus House, Gutter Lane, Cheapside, London EC2V 8AH

REGISTRARS AND TRANSFER OFFICE

Baring Brothers & Co., Limited	Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

INTRODUCTION

Cambridge Electronic Industries p.l.c. ("CEI") is at present a wholly owned subsidiary of Philips Electronic and Associated Industries Limited ("Philips") which in turn is a wholly owned subsidiary of N.V. Philips' *Gloeilampenfabrieken ("N.V. Philips"). CEI is itself a holding company for a group of companies engaged* primarily in the manufacture and sale of electronic components and systems. Most of these companies have been subsidiaries of CEI for a number of years and comprised part of a larger group ("the Pye Group") of which CEI was the parent company but, during that period, they were organised and managed as a separate reporting entity. The companies which made up the remainder of the Pye Group have been acquired by Philips or its associates overseas over the last four years and in June last year a substantial part of CEI's capital was repaid to *Philips as being surplus to its requirements. Further details of the history of CEI since it was formed by Philips* in December, 1966 are set out below under "Statutory and General Information".

Philips is disposing of 60 per cent. of the share capital of CEI by means of this Offer for Sale and intends to retain a substantial shareholding in CEI for the time being.

REASONS FOR THE OFFER FOR SALE

N.V. Philips is organised essentially for high volume manufacture of products for international markets, whilst the companies in the group comprising CEI and its present subsidiaries ("the CEI Group") are engaged mainly in the manufacture of specialised components and equipment on a smaller scale, with their strength lying in their ability to respond rapidly to particular customer requirements; it is felt that these characteristics can be better developed following a disposal by Philips of its controlling interest and the relinquishment of management control. At the same time, the retention by Philips of a significant shareholding will provide CEI with the support of a powerful shareholder with whom it will continue to have a close association.

BUSINESS

The CEI Group consists of a number of companies most of which are long established and well known in their particular spheres *of operation. Some were originally formed or acquired by the Pye Group in order to ensure* continuity of supplies of components for its main products. Today they have a wide customer base and, in 1980, approximately 89 per cent. of total sales was to persons other than companies in the group of which N.V. Philips is the holding company. N.V. Philips and its subsidiaries, other than those comprising the CEI Group, are together referred to below as "the N.V. Philips Group".

The operations of the CEI Group are concentrated in three separate market areas. Representative products, sales and trading profits (before interest) of each market area in 1980 are as follows:

Electronic and Electrical Components: Capacitors; connectors; crystal oscillators; electronic touch keyboards; fibre optic components; filters; hybrid microcircuits; microswitches; potentiometers; printed circuit boards; relays; small transformers; switches.

Sales £49.4m. Trading Profit £5.4m.

Defence and Electronic Systems: Guided weapon instrumentation; personal locator beacons; precision radio frequency heating and drying systems; radio frequency interference suppression systems; safe load systems; sonar systems.

Sales £20.7m. Trading Profit £1.1m.

Specialist Engineering: Cable television systems; glass vacuum electronic engineering; infra-red detectors; machine tools; structural foam engineering; torque and speed control equipment.

Sales £12.8m. Trading Profit £1.4m.

A brief description of the individual companies is set out below. With the exception of Belling & Lee Limited (which is engaged both in Electronic and Electrical Components and in Defence and Electronic Systems) all are engaged predominantly in one only of the market areas mentioned above. The number of employees in each subsidiary is shown as at 17th April, 1981.

Electronic and Electrical Components

Belling & Lee Limited was acquired from Philips in 1974. It designs and manufactures a wide range of electronic and electrical products and has three divisions:

(a) the electronic components division whose products include radio frequency connectors and multiple connectors, fuseholders, plugs and sockets, filtered power inlets and fibre optic connectors and systems. Around one-third of the output is supplied to component distributors and the balance to a wide range of customers;

(b) the radio frequency interference *suppression division which makes modular and custom-built shielded* enclosures or "screened rooms" with associated power and signal line filters. Shielded enclosures are used for testing sophisticated electronic equipment and for the security operation of computer and communications centres. It is the largest supplier of such enclosures in the United Kingdom and operates successfully in export markets. The turnover and trading profit of this division are included in the financial statistics for Defence and Electronic Systems;

(c) the Prestincert division which manufactures self-piercing inserts for mounting components on piece parts, panels, or chassis of steel or aluminium without the need for pre-pierced holes.

The company is based at Enfield in Middlesex and employs 635 people. In 1980, its turnover amounted to £11.3m.

Bepi (Electronics) Limited which was acquired in 1970 is engaged in the manufacture of printed circuit boards. Its products comprise plated-through-hole and multilayer printed circuit boards and flexible circuits. The company supplies the communications, computer, business machine and instrumentation industries. In 1977, the company opened an extension to its manufacturing plant when it introduced two large automatic plating lines. Whilst the company foresees growth in demand for all its major product areas, it considers that the principal area of growth is likely to be in multilayer boards.

The company is based at Galashiels in Scotland and employs 200 people. In 1980, its turnover amounted to £3.8m.

Cathodeon Crystals Limited was founded in 1953 with the object of producing frequency control devices and has since developed into one *of the major manufacturers of quartz crystals, crystal filters and oscillators in* Western Europe.

In the past these products were used mainly in professional and semi-professional radio telecommunications equipment; in addition they are now being used in industrial instrumentation, microprocessors and other electronic equipment which require a stable frequency source. The market for filters and oscillators is expected to continue to expand.

The company operates from premises at Linton, near Cambridge and employs 225 people. In 1980, its turnover amounted to £2.5m.

Egen Electric Limited, which was formed in 1946, manufactures carbon film and wirewound potentiometers, and switches, for supply to the audio, television and automotive industries. Its products also include aerial isolators. Approximately 60 per cent. of turnover in 1980 was attributable to products manufactured under licence from N.V. Philips. The current licence authorises the company to manufacture and sell the products in question in *the United Kingdom and is terminable by either party on not less than twelve months' notice* expiring on 30th June, 1984 or at any time thereafter.

The company is based on Canvey Island in Essex and employs 239 people. In 1980, its turnover amounted to £2.8m.

Hinchley Engineering Company Limited, which was founded in 1949, is a leading manufacturer of small electrical transformers in the United Kingdom and has expanded into the manufacture of small power supply units. The company is an approved supplier to British Telecom and its products conform to appropriate British *and several overseas standards. The company designs and produces to specific requirements for customers in* the industrial, communications, audio, T.V. and other consumer markets. The longer term outlook for transformers and power supply units is good as a result of new uses particularly in computer peripherals and microprocessor controlled domestic appliances.

The company's head office is at Devizes. Production is at Devizes and Portsmouth where a new factory is being built to replace the existing facility. The company employs 488 people and in 1980, its turnover amounted to £7.3m.

Newmarket Microsystems Limited was formed in 1953 to manufacture germanium transistors but now makes highly specialised custom-built thick film hybrid microcircuits. These have applications in the telecommunications, defence, avionics, industrial instrumentation, process control and medical sectors; examples are active filters, infra-red detection systems, heart pacemaker pulse generators and fibre optic termination modules. Many of the company's principal customers are major United Kingdom and other Western European electronics companies and organisations. After a period of modest demand, the company experienced rapid expansion in the sales of thick film in the last two years and considers that there is potential for substantial growth in the future.

The company's premises are located at Newmarket, Suffolk, where 146 people are employed. In 1980, its turnover amounted to £1.6m.

Pye Connectors Limited was incorporated in 1954 and is engaged in the manufacture of low frequency passive connectors for the electronics industry. The principal product sectors are rectangular rack and panel connectors and printed circuit edge connectors.

The company is a leading U.K. producer of printed circuit board modular type connectors. This year, the company will commence the manufacture under licence of insulation displacement connectors and VG connectors both of which are specifically designed for use in new technologies. It supplies customers in the computer, instrumentation, process control, telecommunications and aerospace and related fields.

The company has recently expanded into new premises which incorporate facilities designed to satisfy exacting standards necessary *for the manufacturing processes involved in precious metal plating of contacts and the* plastic moulding of insulators. It is based at Biggleswade and has a total of 194 employees. In 1980, its turnover amounted to £4.9m.

Pye Electro-Devices Limited has three divisions—Relay and Solenoid, Switch and Display, and Capacitor. These divisions became operative in March, 1981 as the most appropriate product and marketing structure. As part of this *reorganisation, the divisional management was strengthened* and certain unprofitable activities discontinued.

In both the Relay and Solenoid and Switch and Display divisions, the company has more than 30 years' experience in the design and manufacture of a range of professional components to high standards. The product range includes a variety of relays, solenoids, timers, thermostats, flow control solenoid valves, keys and switches, and display panels. These divisions supply a wide range of customers in the telecommunications, business machines, computer and automobile industries.

The Capacitor Division manufactures capacitors mainly for the lighting industry, and pioneered in the United Kingdom the development of "dry technology" based on the use of metallised polypropylene film. Its products also include capacitors for providing starting torque in small a.c. motors, energy storage capacitors and high voltage capacitors. It supplies all the leading United Kingdom manufacturers of fluorescent and street lighting.

The Capacitor Division is located at King's Lynn, the other two divisions operating from Newmarket (where the company's headquarters are also situated), Mildenhall and Swaffham.

The company employs 713 people and, in 1980, turnover was £12.2m.

Pye Switches Limited is 51 per cent. owned. The company was formed in 1961 and is engaged in the marketing of microswitches, toggle switches and joystick controllers. These products are manufactured by Otehall Limited, whose directors own the remaining 49 per cent. of the company's share capital. The company supplies a wide range of customers, including British Telecom and aerospace and business machine manufacturers.

The company is located at Burgess Hill, Sussex, employing 9 people. In 1980, its turnover amounted to £0.8m.

Vareleo Limited is 51 per cent. owned. Since it was formed in 1962 the company has manufactured and marketed electrical connectors and auxiliary items for the electronics industry under licence from Elco Corporation of the U.S.A., which owns the remaining 49 per cent. of the company's share capital. The licence agreement, renewed for 10 years in 1974, is terminable on two years' notice until 1984 and on one year's notice thereafter. There are also agreements with two other United States corporations, in one case for the marketing and in the other for the manufacture and marketing in the United Kingdom of certain types of connectors.

The company's products include printed circuit card edge connectors; rectangular multiway plugs and sockets; metal and printed circuit pressfit connector backpanel systems; and high density military-type connectors. The company sells mainly to the professional market including manufacturers of telecommunications, computer, flight simulation and process control equipment.

The company is based in premises at Newmarket and employs 140 people. In 1980, its turnover amounted to £4.9m.

Defence and Electronic Systems

Included in the financial statistics of this section are the turnover and trading profit of the radio frequency interference suppression division of Belling & Lee Limited.

Ekco Instruments Limited has for many years been engaged principally in the design and manufacture *of safe* load indicators for all types of cranes. Its success in this field was recognised in 1976 by a Queen's Award for Technological Achievement. Recently the company has developed a microprocessor based indicator which is planned to be in quantity production later this year. It also makes load indicating and weighing systems for the mechanical handling industry. About one half of the company's products are for direct export.

The company is based at Southend, Essex and employs 112 people. In 1980, its turnover amounted to £1.9m.

Graseby Dynamics Limited was formed in 1950 and until recently was known as Pye Dynamics Limited. As from 1st January, 1981 it acquired the assets and liabilities of a fellow subsidiary, Graseby Instruments Limited, which had been formed in 1944 to manufacture military electromechanical equipment. The new grouping is *designed to make the most effective use of the corporate expertise of the respective companies in the* development and production of defence equipment which is supplied to the British and other governments.

The business formerly carried on by Graseby Instruments Limited, which has for many years specialised in electro-acoustic underwater technology, consists principally of the design and manufacture of transducers for naval use. Currently it has a Ministry of Defence contract for maintenance and support work for the Royal Navy's *medium* range sonar system and has in production a solid state version of this equipment as a private venture.

The business carried on by Pye Dynamics Limited includes research, development, and production for H.M. Government. This involves the application of a wide range of technologies and skills from which specialist defence projects have evolved. In addition, private venture developments have been carried out in the medical and security fields. Currently, the principal defence projects are weapon fusing systems, personal locator beacons, gas vapour detectors and analysis monitors, stethoscopes and special radio frequency equipment. In *the medical field, the company produces infusion and syringe pumps, respiration monitors, induction and foetal* monitoring systems, whilst in the security field it produces explosive detectors and baggage screening equipment.

The new combined organisation continues to enjoy the benefit of Ministry of Defence approvals held by Pye Dynamics Limited and Graseby Instruments Limited.

Transducer assembly and testing, together with a machine shop, is at Tolworth, near Surbiton and there is a *specialist technology unit* in Weybridge, Surrey. The headquarters of Graseby Dynamics Limited, together with much of its production, is at Bushey, near Watford. The company employs 763 people and, in 1980, the combined turnover amounted to £13.0m.

Pye Borders Electronics Limited *has been trading under its present name since 1974. Its principal activity is the* assembly under contract of electronic equipment and systems. It is approved to Ministry of Defence standards and its customers include major computer and business machine manufacturers and telecommunication companies. It expects that an increasing proportion of its business will come from the defence, aerospace and nuclear physics sector. The company is the sole European licensee of the "Solder-Wrap" interconnection system; it also undertakes precision engineering work.

The company is located at Kelso in Scotland and employs 224 people. In 1980, its turnover amounted to £2.4m.

Pye RF Systems Limited designs, manufactures and markets custom-built radio frequency heating and drying systems. *These have been used for many years in the woodworking and furniture industries and more recently in* the textile and printing industries. It has customers both in the United Kingdom and overseas. Approximately 40 per cent. of its sales are for export.

The company is located at Cambridge and employs 33 people. In 1980, turnover amounted to £0.7m.

Specialist Engineering

Ajax Machine Tool Company Limited became a subsidiary of Philips in 1960 and was acquired by CEI in 1980. The company markets a range of machine tools for cutting, drilling, milling and turning metals. There is also a small tools division which handles a range of smaller machine tools and a special products division was created to supply CNC milling machines, electronic digital readout equipment and electrical servo drives. These products are distributed in the United Kingdom through authorised dealers.

The company is located at Bredbury in Cheshire and employs 43 people. In 1980, its turnover amounted to *£3.6m. of which approximately 40 per cent.* was exported.

C.J. (Polymers) Limited specialises in a process known as structural foam moulding, an activity which was commenced in 1973. The company's business was formerly carried on by another company, which used to be part of the Pye Group but was transferred to Philips in 1980. Initially the major customers were radio and television set manufacturers. Subsequently there has been diversification into the computer and business machine sectors and, more recently, into the manufacture of outer tanks for front-load washing machines and *mouldings for the furniture industry.*

The company is located at Alfreton, Derbyshire, employing 66 people. In 1980, its turnover amounted to £2.2m.

Cathodeon Limited was an old established subsidiary of the Pye Group, having been formed in 1935 to produce cathode ray tubes for the then newly emerging television industry. It now utilises its skills in glass working and vacuum technology for the production of special lamps for instruments used in chemical analysis. Its main *production consists of hollow cathode* lamps and deuterium arc lamps of which the company is a leading producer in the United Kingdom. The company also manufactures ultra-violet lamps, infra-red detectors, electronic storage tubes and glass to metal seals.

The company is based in Cambridge and employs 99 people. In 1980, its turnover amounted to £1.5m.

Labgear Limited was established in 1932 and was acquired by the Pye Group in 1936. It is principally engaged in the manufacture of television and radio reception aids and accessories. It was one of the first United Kingdom *manufacturers of equipment for central aerial systems* for domestic television reception. The company was the first in the United Kingdom to design, develop and produce in volume, adaptors for Teletext and Prestel, allowing these services to be received on a standard T.V. receiver without modification.

Future growth is expected to be derived from the increasing use of cable T.V. systems particularly related to pay television, satellite broadcasting and similar developments.

The company has two sites, the principal one at Cambridge and the other at Ely. It employs 165 people. In 1980, its turnover amounted to £2.6m.

Tasc Drives Limited has been engaged for over twenty years in the manufacture of variable speed drives. Its principal product is the TASC unit which is designed to monitor and control accurately the speed of, or torque applied to, rotating machines. The company supplies customers in many industries including material handling, process control, packaging and food machinery with about half of its sales being exported.

The company is assessing a novel form of variable speed drive having enhanced levels of energy efficiency combined with system simplicity. If the trials are successful the company expects to enter into a formal licence entitling it to manufacture and sell the product in defined territories.

The company is located at Lowestoft and employs 131 people. In 1980, turnover amounted to £2.9m.

RELATIONSHIP BETWEEN CEI AND PHILIPS

Shareholding

Consequent upon this Offer for Sale Philips' shareholding in CEI will consist of 14,400,000 Ordinary Shares of 25p each representing 40 per cent. of the issued share capital. No longer having a controlling interest, Philips will cease to exercise management control but it is intended that its interest will continue to be reflected in the composition of the Board.

Inter-Group Trading

Sales from companies within the CEI Group to companies in the N.V. Philips Group amounted to £8.8m in 1980. A good customer relationship has been established over many years and Philips has indicated its intention to continue to give preference to CEI Group companies, subject to satisfactory performance and prices being competitive. Current arrangements for supplies of components and products by the N.V. Philips Group to CEI Group companies will be continued on a normal commercial basis.

Industrial Property Rights

The N.V. Philips Group has granted to the CEI Group non-exclusive royalty-free licences under those patents and registered designs which are relevant to the existing business of the CEI Group. US Philips Corporation has undertaken not to assert any corresponding rights which it may own against CEI products sold in the U.S.A. The CEI Group has granted to the N.V. Philips Group non-exclusive royalty-free licences under existing CEI patents and registered designs. These arrangements will last for the respective lives of the patents and registered designs, subject to a right of earlier termination by the N.V. Philips Group of the licences granted to the CEI Group in the event that control of CEI is acquired by a third party or a group of third parties acting in concert.

Hitherto, the CEI Group has had access to patent rights extended to subsidiaries of N.V. Philips under cross-licensing arrangements made between N.V. Philips and third parties. For the most part, these arrangements relate to the mainstream activities of the N.V. Philips Group and neither Philips nor CEI considers that the new circumstances brought about by CEI ceasing to be a subsidiary of Philips will have a significant effect on the business of the CEI Group.

Philips has further granted certain subsidiaries of CEI free user rights of Pye and Ekco trade marks, where these are currently being used, for a transitional period not exceeding five years from 1st January, 1981. It is considered that the transitional period will enable CEI to ensure that the loss of these marks has a negligible effect upon its business.

With the exception of Egen Electric Limited, past results of the companies constituting the CEI Group have not depended to any material extent on access to the N.V. Philips Group technical information or designs and CEI intends to continue both to develop its own products and to take licences from third parties. Any specific N.V. Philips Group development, know-how or designs which the CEI Group needs and which the N.V. Philips Group is willing to license would be negotiated on an arms-length basis.

Specialist Services

In certain fields arrangements have been made for CEI to supplement its own resources by access to specialist services provided by Philips including advice on chemical and metallurgical matters, technical efficiency, insurance and property. This facility will continue to be available to CEI, on a normal commercial basis, until mid-1982 and thereafter subject to termination by either party on six months' notice of all or any of the services being provided.

The existing co-operation with Philips in respect of the purchase of goods and services from third parties will continue for a period of 5 years from 1st January, 1981. The parties envisage that these arrangements will continue at the end of that period.

The pension arrangements affecting employees of the CEI Group will continue to be administered by Philips personnel under the direction of the Trustees of the Philips Pension Fund.

DIRECTORATE

Chairman

Mr. R. M. A. Jones, the Chairman, is aged 64 and has had a long association with the Pye Group. He joined Pye Radio Limited in 1934 and was appointed a Director of Pye of Cambridge Limited in 1963 and Managing Director from April, 1979 to March, 1980. He was appointed a Director of CEI in 1975 and became Chairman in April, 1980.

Executive Directors

Mr. R. A. King, the Managing Director, is aged 51. He joined Pye Limited in 1950 and was appointed Sales Director in 1967. In 1972 he was appointed Managing Director of Pye TVT Limited. He relinquished this position on being appointed Managing Director of CEI in April, 1980.

Mr. A. B. Faulds, Commercial Director, is aged 56. He joined the Pye Group in 1953 and was appointed a Director of Pye of Cambridge Limited in 1977. He was appointed a Director of CEI in April, 1980.

Mr. F. Moon, Financial Director, is aged 50. He joined Philips in 1956 and was appointed Group Financial Controller of the Pye Group in 1976. He became a Director of CEI in April, 1980.

Mr. B. R. Overton, Technical Director, is aged 56. He joined the Philips research laboratories in 1947. From 1974 to 1979, he was employed by the N.V. Philips Group in The Netherlands and was appointed a Director of CEI in April, 1980.

All of the Executive Directors have service agreements with CEI, particulars of which are set out below under "Statutory and General Information".

Non-Executive Directors

Mr. K. W. Cook, aged 56, joined Philips in 1962 and is its Director of Economics and Planning and is also a Director of Electronic Rentals Group Limited. He was appointed a Director of CEI in 1978.

Mr. A. P. Hichens, aged 44, is Deputy Managing and Financial Director of Redland Limited and Managing Director (Finance) designate of Consolidated Gold Fields Limited. He was first appointed a Director of CEI in 1978. He resigned in 1979 when Philips acquired the whole of the share capital of CEI, but was re-appointed a Director in April, 1980.

Mr. R. J. F. Howard, aged 59, is Chairman of Phicom Limited and also a Director of Fothergill and Harvey Limited. He joined the Board of CEI in July, 1980.

Mr. J. B. H. Jackson, aged 52, joined Philips in 1952 and became a Director of Philips in 1966 and of CEI in 1967. He was appointed a Director of Ladbroke Group Limited in May, 1980. He is also a Director of Celltech Limited and Chairman of Q1 Europe Limited, in each case as representative of the National Enterprise Board.

MANAGEMENT STRUCTURE AND POLICY

Under the overall direction of the Board, the day-to-day operations of the CEI Group are controlled and managed by the Managing Director who is assisted by the three other Executive Directors and CEI's Director of Personnel; together, they act as an Executive Committee. Each member of the Committee has specific responsibilities in addition to participating in the general management of the CEI Group.

The Chief Executives of the operating subsidiaries are directly responsible to CEI's Managing Director. As part of the policy of permitting optimum freedom to company managements, each subsidiary is responsible for its own development, manufacturing and marketing, and for the management of its own resources, within limits agreed by CEI. Secretarial, legal, banking and finance matters, however, are the responsibility of the CEI Group management.

Each subsidiary submits annual budget proposals and a four year plan. These are discussed and agreed with each company and once a budget has been established for the ensuing year, its achievement is the prime responsibility of the Chief Executive concerned. The results are monitored against financial targets through the provision of monthly management accounts and regular review meetings.

The policy of devolving operational responsibility to the subsidiaries enables them to respond rapidly to changing business conditions. Whilst the CEI Group management assists in long term planning and in some technical innovation, each subsidiary is responsible for its own programme of product renewal and development; a proportion of its resources is devoted to the improvement and updating of its products both through its own development capability and, in some cases, in association either with the N.V. Philips Group or with independent research establishments. In addition, the CEI Group has a number of valuable manufacturing licences, especially with U.S.A. based corporations, and is currently in negotiation for further important licences.

EMPLOYEES

Although at 17th April, 1981 there were 4,669 employees in the CEI Group, the number of employees at each location is relatively small. Most factories are situated in areas where industrial relations are good. Over the years there have been very few stoppages or industrial disputes and management will continue to foster good industrial relations and effective communication with all employees.

Whilst CEI will cease to be a subsidiary of Philips, the Inland Revenue has indicated its willingness to allow CEI and its subsidiaries and their respective employees who are eligible for membership to continue to participate in the Philips Pension Fund. This Fund is a contributory self-administered pension scheme which is contracted out of the earnings related part of the State scheme.

In their report on the triennial valuation of the assets and liabilities of the Philips Pension Fund as at 31st March, 1979, the consulting actuaries, Bacon & Woodrow, confirmed that, in their view, if the participating companies continued to contribute to the Fund at the same percentage rate of members' contributions as they contribute at present, the assets of the Fund would be sufficient to cover the contractual benefits and provide a margin for pension increases.

CEI has recently introduced two share option schemes, one for senior executives and one for all employees linked to SAYE contracts, with a view to encouraging closer identification of employees with the CEI Group's performance. Further details of the schemes are set out in paragraph 4 of "Statutory and General Information" below.

FIVE YEAR RECORD

A five year summary of sales and profit before taxation for the CEI Group prepared in accordance with the historical cost convention is set out below:—

£m	1976	1977	1978	1979	1980
	Years ended 31st December				
Sales	43.4	54.6	60.6	71.5	82.9
Cost of sales	(39.0)	(49.0)	(54.6)	(66.2)	(75.0)
Trading profit	4.4	5.6	6.0	5.3	7.9
Interest (see note)	(0.3)	(0.4)	(0.5)	(0.8)	(0.7)
Profit before exceptional item	4.1	5.2	5.5	4.5	7.2
Exceptional item	—	—	—	—	(1.0)
Profit before taxation	4.1	5.2	5.5	4.5	6.2

Note:— The interest charge for the four years ended 31st December, 1979 has been calculated on a notional basis which is explained in note (c) of paragraph 11 of the Accountants' Report.

The increase in sales from £43.4m to £82.9m in the period from 1976 to 1980 reflects the overall growth of the market areas in which the CEI Group operates as well as the ability of the CEI Group to adapt to changing business conditions. In the five year period profit before taxation increased from £4.1m to £6.2m. The profit before taxation in 1979 was affected by the special factors referred to below in the comments relating to Defence and Electronic Systems and by the high interest rates prevailing in that year which are reflected in the notional interest charge.

1980 was the first year that the CEI Group operated in its new form and with the present management structure. In that year the CEI Group was faced not only with high interest rates and the strength of sterling but also with the growing effects of the economic recession resulting in a drop in orders received from mid-year onwards. This drop was particularly severe in the last quarter of the year. In addition, the profit before taxation was particularly affected by the exceptional item representing costs of reorganisation in Pye Electro-Devices Limited and Graseby Dynamics Limited as mentioned in the comments relating to those companies under "Business" above. Despite these circumstances the CEI Group finished 1980 with increased sales and profit compared with previous years.

During the five years ended 31st December, 1980 the sales and trading profit before interest of the CEI Group, divided between its three market areas were as follows:—

£m	1976	1977	1978	1979	1980
	Years ended 31st December				
Sales					
Electronic and Electrical Components	27.6	33.5	37.5	44.0	49.4
Defence and Electronic Systems	9.8	12.9	13.4	16.1	20.7
Specialist Engineering	6.0	8.2	9.7	11.4	12.8
Total	43.4	54.6	60.6	71.5	82.9
Trading Profit					
Electronic and Electrical Components	2.6	3.2	3.7	4.1	5.4
Defence and Electronic Systems	1.1	1.3	1.1	(0.1)	1.1
Specialist Engineering	0.7	1.1	1.2	1.3	1.4
Total	4.4	5.6	6.0	5.3	7.9

The above summary shows that the largest contribution to sales and trading profit has been made by Electronic and Electrical Components. Over the five year period ended 31st December, 1980 between 60 and 64 per cent. of sales has been derived from this source with trading profit rising from approximately 9.5 per cent. of sales in 1976 to 11 per cent. in 1980.

Defence and Electronic Systems has provided approximately a quarter of sales but a variable percentage of trading profit. The normally profitable results in this market area were turned into a small trading loss in 1979 partly as a result of provisions made to cover anticipated losses arising from certain contracts involving new technology which were entered into in the period from 1974 to 1977 on a fixed price basis. New management practices were introduced in 1979 and contracts are now being secured by the subsidiary concerned on satisfactory commercial terms.

Export sales by the CEI Group during the five years ended 31st December, 1980 are set out below:—

£m	1976	1977	1978	1979	1980
	Years ended 31st December				
Western Europe	4.6	6.2	6.9	8.7	10.8
Eastern Europe	0.2	0.4	0.4	0.3	0.6
Africa	0.8	0.5	0.8	0.6	1.2
Middle East	0.5	0.6	0.7	0.7	1.1
Far East	1.3	1.2	1.4	1.1	0.9
Australasia	0.5	0.5	0.6	0.6	0.6
Americas	0.4	0.7	0.6	0.7	0.9
Total	8.3	10.1	11.4	12.7	16.1

Set out in the Accountants' Report is a profit and loss account for the year ended 31st December, 1980 prepared under the current cost convention in accordance with the Statement of Standard Accounting Practice on Current Cost Accounting (SSAP 16). The current cost profit (after the exceptional item of £1.0m) before taxation of the CEI Group for the year ended 31st December, 1980 amounted to £3.9m.

CURRENT TRADING AND PROFIT FORECAST

Although the total order intake by the CEI Group in the first four months of 1981 was approximately 5 per cent. below that of the corresponding period of last year, it was approximately 30 per cent. above that of the last four months of 1980.

In Electronic and Electrical Components the order intake has shown a marked recovery in recent months following the severe decline in the second half of 1980 and for the first four months of 1981 was running at the same rate as the corresponding period of the previous year, albeit with longer delivery times. The recovery is to a large extent due to increased activity in the telecommunications industry and whilst activity in other industries supplied by this section has not yet demonstrated a similar trend, there are grounds for some optimism based on the current level of customer enquiries. Defence and Electronic Systems did not suffer in 1980 the same decline in business activity experienced elsewhere in the CEI Group. Reasonable stability in order intake has been maintained and this, allied to projects at present under discussion, creates confidence about the ability to maintain sales levels into 1982. Orders received by Specialist Engineering companies are higher than in the latter part of 1980 but have not yet reached the level achieved in the first four months of that year. There is no clear indication as to when the effects of the recession on these companies will be over.

Largely because of the fall of order intake in the last quarter of 1980, turnover for 1981 is expected to be marginally below that achieved in 1980. The main effect on sales is being experienced in Electronic and Electrical Components and, to a less extent, in Specialist Engineering but this shortfall is expected to be substantially offset by higher sales in Defence and Electronic Systems.

Having regard to the continuing recession in the United Kingdom economy and to the other factors mentioned above, the Board expects that, in the absence of unforeseen circumstances, the profit before taxation of the CEI Group in respect of the year ending 31st December, 1981, will be not less than £5 million. Coopers & Lybrand and Baring Brothers & Co., Limited have reported on the profit forecast and their letters, together with the principal assumptions on which the forecast has been made are set out under the heading "Principal Assumptions and Letters on Profit Forecast" below.

If CEI were to provide a full charge for current and deferred taxation at the rate of 52 per cent. on a profit before taxation of £5 million, the profit after taxation for the year ending 31st December, 1981 attributable to shareholders of CEI (after deducting minority interests estimated at £0.2 million) would be £2.2 million, equivalent to fully taxed earnings per share of 6.1p. However, in view of the benefit of stock appreciation relief and the anticipated level of capital allowances in the current year, the Board expects a significantly lower actual taxation charge of approximately 25 per cent. on the basis of a profit before taxation of £5 million.

At the Offer for Sale price of 75p and on the basis of fully taxed earnings per share of 6.1p the prospective price/earnings multiple is 12.3 times.

DIVIDENDS

On the basis that the profit before taxation is not less than £5 million as forecast above, it would be the Board's intention to pay dividends in respect of the year ending 31st December, 1981 totalling 3.7p per share net (5.285p per share gross including an associated tax credit at the current rates). The Board would expect to pay 1.25p net as an interim dividend in November, 1981 and to recommend 2.45p net as a final dividend in May, 1982. **Such dividends would represent a gross yield of 7.05 per cent. on the Offer for Sale price of 75p.**

THE FUTURE

The industries supplied by the CEI Group include many in the professional electronic equipment field, such as telecommunications, data processing and defence, which are likely to have an increasing need for electronic components and systems of the kind currently being produced by the CEI Group.

The continuing success of the CEI Group is dependent upon its proven ability to anticipate demand for specialised products and to respond to the specific requirements of its customers. Furthermore, the CEI Group has established a reputation for quality and the technical excellence of its products.

A vigorous export drive in many sectors has resulted in an increase in 1980 as compared with 1979 in the proportion of total sales attributable to export orders despite the strength of sterling. The emphasis on exports will be continued with such sales being expanded wherever possible.

The Board intends to encourage the development programmes of individual subsidiaries, to pursue opportunities for joint ventures with other companies and to make suitable acquisitions, both in the United Kingdom and overseas, in those market areas in which the CEI Group currently operates. A strong balance sheet with low borrowings will facilitate the financing of further expansion.

The steps already taken to improve manufacturing efficiency and reduce costs should enable the CEI Group to take full advantage of any upturn in the economy.

The Board therefore considers that the long term prospects of the CEI Group are good and looks to the future with confidence.

ACCOUNTANTS' REPORT

The following is a copy of the report to the Directors of CEI and Baring Brothers & Co., Limited made by the Auditors, Coopers & Lybrand, Chartered Accountants.

The Directors,
Cambridge Electronic Industries p.l.c.

The Directors,
Baring Brothers & Co., Limited

5th June, 1981

Dear Sirs

We have examined the audited accounts of Cambridge Electronic Industries p.l.c. ("CEI") and of those companies which are currently subsidiaries thereof (together called "the CEI Group") for the five years ended 31st December, 1980.

2 During the past four years, certain subsidiary companies were sold by the CEI Group to Philips Electronic and Associated Industries Limited ("Philips") and to other parts of the N.V. Philips' Gloeilampenfabrieken group ("the N.V. Philips Group"), together with the properties related thereto, and significant reorganisations of the then existing group, formerly known as the Pye Group, also took place in 1979 and 1980. The results and assets of the companies which have been sold have been excluded from this report.

3 The information set out in the subsequent paragraphs of this report has been prepared on the basis of the CEI Group as it is now constituted so as to show, on a combined basis, for the five years ended 31st December, 1980, the results and financial position of the businesses and activities presently carried on by the CEI Group. The following subsidiaries, which are wholly owned unless otherwise indicated, are covered by this report. Unless otherwise stated, results of the individual subsidiaries included in the combined results are for the period from 1st January, 1976 to 31st December, 1980:

Ajax Machine Tool Company Limited	Labgear Limited
Belling & Lee Limited	Magnetic Devices Limited (year ended 31st December, 1976)
Bepi (Electronics) Limited	Newmarket Microsystems Limited
Cathodeon Limited	Prestincert Limited (three years ended 31st December, 1978)
Cathodeon Crystals Limited	Pye Borders Electronics Limited
CEI Finance Limited	Pye Connectors Limited
C.I. (Polymers) Limited (Note)	Pye Electro-Devices Limited
Egen Electric Limited	Pye RF Systems Limited
Ekco Instruments Limited	Pye Switches Limited (51%)
Graseby Dynamics Limited	Tasc Drives Limited
Graseby Instruments Limited	Varelco Limited (51%)
Hinchley Engineering Company Limited	

Note: Including the business previously carried on by the polymers division of Cabinet Industries Limited for the period from 1st January, 1976 to 30th June, 1980.

In addition to the above companies, there are a number of dormant companies within the CEI Group.

4 We have acted as auditors of CEI and certain of its subsidiary companies for the whole of the period under review. As regards those subsidiaries audited by other firms, they represented approximately 30 per cent. of combined net assets and approximately 50 per cent. of turnover and trading profit before interest and exceptional item during the years ended 1976 to 1978. In the years 1979 and 1980 they represented approximately 1 per cent. of combined net assets, 6 per cent. of turnover and 12 per cent. of trading profit before interest and exceptional item.

5 The accounting date of all the companies in the CEI Group has been 31st December throughout the period under review.

6 The financial statements set out in Sections II to IV of this report, prepared on the accounting convention described in paragraph 10 below, are based on the audited accounts of the companies within the CEI Group, after making such adjustments as, in our opinion, are appropriate. Supplementary current cost information, together with the basis of preparation, is set out in Section V of this report.

7 Stock and work in progress records for the years ended 31st December, 1976 and 1977 in respect of one subsidiary and for the year ended 31st December, 1977 in respect of a second subsidiary were not available for our inspection. In the case of a third subsidiary, we were unable to carry out all the tests which we considered necessary, in respect of the valuation of stock and work in progress, as insufficient evidence now exists to support estimates to complete and other judgements made in determining the profitability of individual contracts as at 31st December, 1976 and 1977. The then auditors of these companies were satisfied that complete stock and work in progress records were available to them at the time of their audits and they were satisfied that stock and work in progress had been properly taken and valued on a consistent basis. We are, however, unable to determine, in the absence of the relevant records or estimates to complete, whether stock and work in progress, in respect of these three subsidiaries, included in the financial information in this report at £1.6m and £1.8m as at 31st December, 1976 and 1977 respectively is fairly stated. In respect of one of the subsidiaries mentioned above, certain of the accounting records for the two years ended 31st December, 1977 were destroyed in 1978 and, therefore, we are unable to determine, in the absence of the relevant records, whether the net assets, excluding stock and work in progress, included in the financial information in this report at £0.5m and £0.3m as at 31st December, 1976 and 1977 respectively are fairly stated. Consequently we are unable to determine whether the allocation of the profits/(losses) of these three subsidiaries, included in this report, at £0.4m, £0.8m and £(0.2)m in respect of the years ended 31st December, 1976, 1977 and 1978 are fairly stated.

8 Subject to the effect of the adjustments, if any, arising from the uncertainties referred to in paragraph 7, in our opinion the financial information referred to in this report gives a true and fair view of the profits before taxation for the years ended 31st December, 1976 to 1980, of the source and application of funds for the year ended 31st December, 1980, of the net assets of the CEI Group as at 31st December, 1976 to 1979 and of the state of affairs of the CEI Group as at 31st December, 1980, according to the accounting convention described in paragraph 10.

9 In our opinion, the supplementary current cost accounts, for the year ended 31st December, 1980, have been properly prepared, in accordance with the policies and methods described in Section V of this report, to give the information required by Statement of Standard Accounting Practice No. 16.

I ACCOUNTING POLICIES

10 The significant accounting policies adopted in arriving at the financial information set out in Sections II to IV of this report are as follows:—

Accounting convention

The financial information has been prepared in accordance with the historical cost convention, with the exception of land and buildings, which are valued on the basis described below under the heading of 'Fixed assets'.

Basis of preparation of results and net assets

Consolidated accounts of the CEI Group have been prepared for 1980 and for the purpose of this report the separate results and net assets for the years 1976 to 1979 of the companies now comprising the CEI Group have been combined. Both sets of figures are shown after making such adjustments as we consider appropriate.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods sold and services provided to third parties, including sales to the N.V. Philips Group but excludes sales between companies in the CEI Group.

Fixed assets

All fixed assets, other than land and buildings, are stated at historic cost less depreciation.

Freehold buildings and long leaseholds are stated at replacement cost less depreciation for periods up to 31st December, 1978, because valuations, based on CEI's present accounting policy in respect of buildings and long leaseholds, are not readily available for those years. Replacement cost is calculated, in the case of buildings, by reference to an appropriate index.

Land, and since 31st December, 1979, freehold buildings and long leaseholds are stated at open market value on the basis of existing use and in present condition.

No value is attributed to short leaseholds other than improvements which are stated at historic cost less depreciation.

Stock

Stock and work in progress are stated at the lower of cost and net realisable value. Progress payments are deducted. Cost includes material, direct labour and all overheads appropriate to the relevant stage of production. Net realisable value represents the estimated amount at which stock and work in progress will be realised after taking account of all relevant marketing, selling and distribution costs.

Depreciation

Depreciation of fixed assets is provided on a straight line basis at such rates as will write off the cost or valuation of the various assets over their expected working lives. The principal annual rates used for this purpose are as follows:—

Permanent installations in buildings	4%
Test equipment	14%
Other plant	10%
Motor vehicles	20%
Furniture, fixtures and fittings	10%

The open market value of freehold buildings is written off over the estimated useful life not exceeding 50 years. Leasehold properties are amortised over the period of the lease not exceeding 50 years. No depreciation is provided on freehold land.

Foreign currency

Assets and liabilities in foreign currencies are expressed in sterling at rates of exchange at the year end. Exchange profits less losses resulting from the year's trading are accounted for in the result for the year.

Deferred taxation

Provision is made for deferred tax unless, in the opinion of the directors, there is a reasonable probability that no liability will crystallise in the foreseeable future.

Pension contributions

The CEI Group is contracted out of the State Pension Scheme and pensions are provided through an independent pension fund. Pension contributions made by the group are charged to the profit and loss account (on an accruals basis) at contribution rates which, together with the benefits, are reviewed on the basis of triennial independent actuarial valuations of this fund. Additional amounts provided for the capital value of *ex gratia* pensions to certain past employees are charged to the profit and loss account at the time the decision is made to grant the pension.

II RESULTS

11 The combined results of the CEI Group for the five years ended 31st December, 1980 are set out below:—

	Notes	1976 £m	1977 £m	1978 £m	1979 £m	1980 £m
		Years ended 31st December,				
Turnover	(a)	43.4	54.6	60.6	71.5	82.9
Cost of sales	(b)	39.0	49.0	54.6	66.2	75.0
Trading profit before interest and exceptional item		4.4	5.6	6.0	5.3	7.9
Interest	(c)	0.3	0.4	0.5	0.8	0.7
Profit before exceptional item		4.1	5.2	5.5	4.5	7.2
Exceptional item	(d)	—	—	—	—	1.0
Profit before taxation		4.1	5.2	5.5	4.5	6.2
Taxation	(e)					2.9
Profit after taxation						3.3
Extraordinary item	(f)					0.2
Profit after extraordinary item						3.5
Minority interests						0.3
Profit attributable to shareholders						3.2
Earnings per share	(g)					8.5p

Notes:

(a) **Turnover**

Turnover includes sales to the N.V. Philips Group as follows:—

1976 £m	1977 £m	1978 £m	1979 £m	1980 £m
Years ended 31st December,				
5.1	6.5	6.8	8.0	8.8

(b) **Cost of sales**

The cost of sales includes the following items:—

	1976 £m	1977 £m	1978 £m	1979 £m	1980 £m
	Years ended 31st December,				
Depreciation	1.1	1.2	1.1	1.4	1.6
Head office costs	0.8	0.9	1.0	1.1	1.3

Depreciation

The charge for the year ended 31st December, 1978 is after crediting an amount of £0.2m arising from an overall extension of working lives following a reclassification of the useful lives of plant and machinery.

In our opinion the charge for depreciation in respect of buildings, which have been included on a replacement cost basis for the years ended 31st December, 1976 to 1979, would not have been materially different from the charge for depreciation of buildings, for those years, valued on an open market value basis.

(c) **Interest**

The interest charge for 1976 to 1979 is a notional charge based on the assumption that the borrowings in the CEI Group would have been in the same proportion to the shareholders' funds (i.e. 1 to 4) that was envisaged at the time of the capital reconstruction in 1980. Interest has been calculated on the appropriate sums at rates prevailing in those years.

(d) **Exceptional item**

The exceptional item represents the cost of reorganisation and rationalisation of the activities of certain operating companies within the CEI Group.

(e) **Taxation**

As the CEI Group only existed in its present form during the year ended 31st December, 1980 it is not considered practicable to disclose a charge for taxation in the above summary other than for that year. The charge for 1980, which includes a prior year adjustment of £0.1m has been determined on the basis of the existing legislation in respect of stock appreciation relief and no account has been taken of the proposals contained in the Finance Bill 1981 which, if they had been recognised by CEI, would have reduced the tax charge by approximately £0.5m.

(f) **Extraordinary item**

This represents the net profit arising on the liquidation of a dormant subsidiary.

(g) **Earnings per share**

Earnings per share for 1980 are based upon the profit after taxation less minority interests but before extraordinary item (£3.05 m) and calculated by reference to the 36 million ordinary shares in issue immediately prior to the Offer for Sale.

(h) **Dividends**

No dividends have been paid in respect of the CEI Group as now constituted.

The dividends paid by CEI prior to the creation of the present CEI Group, which bear no relationship to the results set out above, are as follows:—

Years ended 31st December	Pence per Share
1976	2.9000
1977	3.5684
1978	3.9847
1979	1.3640
1980	53.9275

The dividends shown above represent the net amount payable under the imputation system of taxation. Those for the years 1976 to 1978 were paid whilst CEI was the holding company of the former Pye Group. The dividends for 1979 and 1980 were paid to Philips, the latter being an integral part of the reorganisation of the former Pye Group.

III SOURCE AND APPLICATION OF FUNDS

12 The statement of source and application of funds of the CEI Group for the year ended 31st December, 1980 is set out below:—

Funds from trading activities:

	£m	£m
Source of funds		
Profit before taxation		6.2
Adjustment not involving the movement of funds — depreciation		1.6
Extraordinary profit		0.2
		8.0
Application of funds		
Purchase of fixed assets and investments less disposals	3.2	
Dividends — minority interests	0.1	
Taxation	0.4	
	3.7	
Movements in working capital		
Stock — increase	0.7	
Debtors — decrease	(0.5)	
Creditors and provisions — increase	(0.4)	
Net amount owing by N.V. Philips Group companies — increase	0.4	
		3.9
Net cash flow		4.1
Represented by movement in:		
Bank overdrafts — decrease		2.6
Deposit with Philips — increase		1.5
		4.1

IV STATEMENTS OF NET ASSETS

13 Statements of combined net assets of the CEI Group at 31st December, 1976 to 1979, consolidated net assets at 31st December, 1980 and net assets of CEI at 31st December, 1980 are set out below:—

CEI 1980 £m		Notes	CEI Group Combined 1976 £m	1977 £m	1978 £m	1979 £m	Consolidated 1980 £m
6.9	FIXED ASSETS	(a)	10.3	11.3	12.6	13.3	14.6
14.9	INVESTMENTS IN SUBSIDIARIES		—	—	—	—	—
	CURRENT ASSETS						
—	Stock	(b)	10.0	11.8	13.2	15.7	16.4
0.3	Debtors		8.1	10.4	11.8	15.0	14.5
3.1	N.V. Philips Group companies	(c)	1.2	1.0	1.4	1.3	3.8
—	Cash and bank		0.1	0.1	0.1	0.1	—
—	ACT recoverable		—	—	—	0.1	0.1
0.1	Group relief		—	—	—	—	—
3.5			19.4	23.3	26.5	32.2	34.8
	Less						
	CURRENT LIABILITIES						
0.7	Creditors and provisions		7.4	8.6	9.9	13.2	13.5
0.2	N.V. Philips Group companies		0.9	0.7	1.2	0.6	1.2
—	Taxation		3.7	2.0	1.7	0.4	2.9
1.6	Bank overdrafts	(d)	3.1	4.3	4.7	4.3	1.6
2.5			15.1	15.6	17.5	18.5	19.2
1.0	NET CURRENT ASSETS		4.3	7.7	9.0	13.7	15.6
22.8	NET ASSETS		14.6	19.0	21.6	27.0	30.2
3.0	SHARE CAPITAL	(f)					3.0
14.5	SHARE PREMIUM						14.5
5.3	RESERVES						12.0
22.8	SHAREHOLDERS' FUNDS						29.5
—	MINORITY INTERESTS						0.7
22.8							30.2

Notes:

(a) **Fixed assets**

The fixed assets at 31st December, 1980 were made up as follows—

CEI Cost or valuation	CEI Aggregate depreciation	CEI Net book value		CEI Group Cost or valuation	CEI Group Aggregate depreciation	CEI Group Net book value
£m	£m	£m		£m	£m	£m
6.3	—	6.3	Freehold land and buildings	6.7	—	6.7
			Leasehold land and buildings			
0.3	—	0.3	—long leaseholds	0.3	—	0.3
0.2	—	0.2	—leasehold improvements	0.5	0.2	0.3
0.1	—	0.1	Plant and machinery	15.7	8.4	7.3
6.9	—	6.9		23.2	8.6	14.6

Freehold land and buildings and long leaseholds are included at the valuation made by Hillier Parker May & Rowden, Chartered Surveyors, as at 31st December, 1980. The valuation was based on the current open market value of the properties on the basis of existing use and in present condition.

(b) **Stock**

Stock at 31st December, 1980 comprised:—

	£m
Raw materials	5.1
Work in progress	11.1
Finished goods	3.5
	19.7
Less: Progress payments	3.3
	16.4

(c) **N.V. Philips Group companies**

The amount owing by N.V. Philips Group companies at 31st December, 1980 included an amount of £1.5m on deposit with Philips (since repaid) on which interest was receivable at the year end at the rate of 13⅞ per cent. per annum.

(d) **Bank overdrafts**

The figures for bank overdrafts for the three years ended 31st December, 1978 represent the CEI Group's notional borrowings determined on *the assumptions set out in paragraph 11, note (c).*

(e) **Deferred taxation**

No provision is considered necessary. The potential amounts of deferred tax calculated under the liability method are:—

	£m
Revaluation of properties	0.4
Stock appreciation relief	2.9
Other	4.7
	8.0

The potential deferred tax liability in respect of stock appreciation relief is that determined under existing legislation.

(f) **Issued share capital**

The issued share capital at 31st December, 1980 comprised 12,000,000 ordinary shares of 25p each fully paid. Subsequent to that date, the issued share capital was increased to £9.0m by the issue of 24,000,000 ordinary shares of 25p each by way of capitalization of part of the share premium account.

(g) **Contingent liabilities**

The CEI Group had contingent liabilities of £1.1m. (CEI £1.1m.) at 31st December, 1980 in respect of bank guarantees and indemnities arising in the ordinary course of business.

(h) **Capital expenditure**

At 31st December, 1980 there were capital commitments amounting to approximately £1.2m. for the CEI Group (£0.2m. for CEI). In addition capital expenditure of approximately £2.0m. (£2.0m. for CEI) had been authorised by the Directors.

V CURRENT COST ACCOUNTS

Accounting policies

14 The current cost information, which is in summarised form, has been prepared by reference to current cost principles in conformity with Statement of Standard Accounting Practice No. 16 ("SSAP 16"). Except where adjusted to comply with SSAP 16, the accounting policies used in preparing the historical cost accounts have been adopted in the current cost accounts.

15 The current cost balance sheet contains pro forma comparative figures prepared as at 31st December, 1979 for the CEI Group as at present constituted reflecting *the position as if the capital reconstruction in 1980 had already taken place.*

Current cost results

16 The combined current cost results of the CEI Group for the year ended 31st December, 1980 are as follows:—

	Notes	1980
		£m
Turnover		82.9
Profit before interest and exceptional item on the historical cost convention		7.9
Exceptional item		(1.0)
Profit before interest but after exceptional item		6.9
Current cost operating adjustments	(a)	(2.7)
Current cost operating profit		4.2
Interest		(0.7)
Gearing adjustment	(b)	0.4
Current cost profit before taxation		3.9
Taxation		(2.9)
Current cost profit after taxation		1.0
Extraordinary item		0.2
Minority interests		(0.2)
Current cost profit attributable to shareholders		1.0
Current cost earnings per share	(c)	2.3p

Notes:

(a) **Current cost operating adjustments**

The net charge is made up as follows:—

	Note	£m
Cost of sales adjustment	(i)	1.3
Monetary working capital adjustment	(ii)	0.8
Depreciation adjustment		0.6
		2.7

(i) The cost of sales adjustment is the amount by which the current cost of goods sold differs from the historical cost. It has been calculated separately for each company, on an annual basis, either by the "averaging method" or, for the larger companies, by using information derived from standard costing systems.

(ii) The monetary working capital adjustment has been calculated, on an annual basis, by reference to the same level of cost price changes experienced by CEI Group companies as those used for the cost of sales adjustment. Monetary working capital for this purpose comprises trade debtors less trade creditors, together with stock and work in progress excluded from the cost of sales adjustment.

(b) **Gearing adjustment**

The gearing proportion used to abate the current cost operating adjustment is 14.5%. This represents the average proportion that borrowings bear to net operating assets (see paragraph 17, note (c)).

(c) **Current cost earnings per share**

Current cost earnings per share represent the current cost profit attributable to shareholders before extraordinary item divided by the number of shares in issue immediately prior to the Offer for Sale.

Consolidated current cost balance sheet

17 The consolidated current cost balance sheet of the CEI Group as at 31st December, 1980, together with comparative figures as at 31st December, 1979, is set out below:—

	Notes	1979	1980
		£m	£m
FIXED ASSETS	(a)	16.5	21.0
NET CURRENT ASSETS		13.9	15.7
		30.4	36.7
Financed by:			
SHARE CAPITAL		3.0	3.0
SHARE PREMIUM		14.5	14.5
RESERVES	(b)	12.4	18.5
SHAREHOLDERS' FUNDS		29.9	36.0
MINORITY INTERESTS		0.5	0.7
		30.4	36.7

Notes:

(a) **Fixed assets**

	1980 Gross	1980 Depreciation	1980 Net book value	1979 Net book value
	£m	£m	£m	£m
Land and buildings	20.9	8.7	12.2	8.9
Plant and machinery	25.9	17.1	8.8	7.6
	46.8	25.8	21.0	16.5

(i) Land and buildings have been valued by the Directors as at 31st December, 1980 with internal professional advice on the following bases:— (A) land—stated at open market value, (B) buildings, other than leasehold improvements—stated at replacement cost computed by reference to current building cost *indices published by the Royal Institution of Chartered Surveyors.*

(ii) For comparative purposes, Hillier Parker May & Rowden have at the same date valued freehold land and buildings and long leaseholds at £7.0m. This valuation is based on the current open market value of the properties on the basis of existing use and in present condition.

(iii) The gross cost of plant and machinery is computed by applying indices to the historic cost, supplemented by sample comparison with the current purchase price of equivalent equipment. Indices have been selected from those published by the Central Statistical Office, allowance being made for the effect of movements in exchange rates in the case of imported equipment.

(iv) Depreciation is calculated on the current cost values at 1st January and on the cost of subsequent additions, at the rates set out in Section I of this report.

(b) **Reserves**

The movements on reserves, net of minority interests, are as follows:—

	Current cost reserve	Retained profits	Total
	£m	£m	£m
Balance at 1st January, 1980	5.7	6.7	12.4
Revaluations during the year of:—			
Land and buildings	3.4	—	3.4
Plant and machinery	0.1	—	0.1
Stock	1.2	—	1.2
Adjustments to the profit and loss account for:—			
Monetary working capital	0.8	—	0.8
Gearing	(0.4)	—	(0.4)
Retained profit	—	1.0	1.0
Balance at 31st December, 1980	10.8	7.7	18.5

The balance on the current cost reserve at 1st January, 1980 comprised the excess of fixed assets and stock at current cost over the corresponding figures on a historic cost basis, less minority interests.

(c) **Financing of net operating assets**

The value to the business of net operating assets at the balance sheet date is given below, together with the method by which they were financed:—

	1979	1980
	£m	£m
Fixed assets (at net replacement value)	16.5	21.0
Stock (at replacement value)	13.0	12.7
Working capital:—		
Stock	2.9	3.9
Debtors	16.4	16.8
Creditors	(12.5)	(12.2)
	6.8	8.5
Net operating assets	36.3	42.2
Financed by:		
Share capital and reserves	29.9	36.0
Minority interests	0.5	0.7
Total equity	30.4	36.7
Net borrowings:—		
Bank overdrafts	4.3	1.6
Taxation payable	0.3	2.9
Provisions	1.4	2.5
Interest bearing deposit	—	(1.5)
Investments and cash	(0.1)	—
	5.9	5.5
	36.3	42.2

VI AUDITED ACCOUNTS

18 Audited accounts of the CEI Group have not been prepared in respect of any period subsequent to 31st December, 1980.

Yours truly,

COOPERS & LYBRAND
Chartered Accountants.

PRINCIPAL ASSUMPTIONS AND LETTERS ON PROFIT FORECAST

Principal Assumptions

The forecast of profit before taxation of the CEI Group for the year ending 31st December, 1981 set out in this Offer for Sale is based on results shown by unaudited management accounts for the period to 24th April, 1981 and on the following principal assumptions:—

1. There will be no noticeable change in the economic climate currently being experienced.
2. Profit margins during the remainder of the forecast period will remain approximately the same as those presently being achieved.
3. The rate of inflation in the United Kingdom over the remainder of the year will be broadly in line with that currently being experienced.
4. There will be no significant effect on trading profits from changes in foreign exchange rates.
5. The operations of the CEI Group will not be disrupted through industrial disputes either within the *CEI Group or elsewhere.*
6. The CEI Group will not be materially affected by political events or by any changes in legislation.

Letters

The following are copies of letters relating to the forecast of profit before taxation for the year ending 31st December, 1981:—

Letter from Coopers & Lybrand:—

"The Directors,
Cambridge Electronic Industries p.l.c.,
Botanic House,
100 Hills Road,
Cambridge CB2 1LQ.

5th June, 1981

Dear Sirs,

The profit forecast of Cambridge Electronic Industries p.l.c. and its subsidiaries ("the CEI Group") for the year ending 31st December, 1981, for which the Directors are solely responsible, as set out in the Prospectus to be dated 5th June 1981, and issued in connection with the Offer for Sale of 21,600,000 Ordinary Shares of 25p each in your Company, includes results shown by management accounts for the period ended 24th April, 1981, which have not been audited, and forecasts for the remaining period to 31st December, 1981.

We have reviewed the accounting policies and calculations adopted in arriving at the profit forecast. In our opinion the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Board in the Prospectus referred to above and is presented on a basis consistent with the accounting policies normally adopted by the CEI Group according to the historical cost convention.

Yours truly,
COOPERS & LYBRAND,
Chartered Accountants."

Letter from Baring Brothers & Co., Limited:—

"The Directors,
Cambridge Electronic Industries p.l.c.,
Botanic House,
100 Hills Road,
Cambridge CB2 1LQ.

5th June, 1981

Gentlemen,

We have discussed with you the forecast of profit before taxation of Cambridge Electronic Industries p.l.c. and its subsidiaries for the year ending 31st December, 1981 and the principal assumptions on which it is based, set out in the Offer for Sale to be dated 5th June, 1981. We have also discussed with Coopers & Lybrand the work they have done in respect of the forecast as set out in their letter to you of 5th June, 1981. We consider that the forecast of profit before taxation (for which you, as Directors, are solely responsible) has been made after due and careful inquiry.

Yours faithfully,
For BARING BROTHERS & CO., LIMITED
R.L. Payton
Director."

PREMISES

CEI's headquarters are situated at Botanic House, 100 Hills Road, Cambridge. These premises which have an approximate floor area of 9,000 square feet are held under a lease for 25 years from 12th February, 1980 at a rent of £55,000 per annum subject to five yearly rent reviews.

The following table lists the principal factory premises, in terms of value, of the CEI Group:—

Description	Type	Approximate Floor Area (Square Feet)	Value £'000
Great Cambridge Road, Enfield, Middlesex	Freehold	173,700	2,000
Exning Road, Newmarket, Suffolk	Freehold	124,200	1,155
Pans Lane, Devizes, Wiltshire	Freehold	59,400	510
+ Unicorn Works, *Unicorn Road, Portsmouth* Hampshire	Freehold	24,800	415
145 High Street, Linton, Cambridgeshire	Freehold	39,800	400
Hook Rise, Tolworth, Surrey	Freehold	27,500	400
Abbey Walk, Cambridge	Freehold	18,700	400
Canvey Road, Canvey Island, Essex	Freehold	40,100	375
Oulton Works, Oulton Broad, Lowestoft Suffolk	Freehold	60,900	350
Hitchin Street, Biggleswade, Bedfordshire	Freehold	35,000	350
Nuffield Road, Cambridge	Leasehold for a term of 75 years from 1975 at a rent for the first 21 years of £7,875 p.a.	12,500	335
Wilderhaugh Street, Galashiels, Selkirkshire	*Feuhold* subject to a feu duty of £40 p.a.	60,400	175

All the freehold and leasehold properties then owned by the CEI Group were valued as at 31st December, 1980 by Hillier Parker May & Rowden on the basis of open market value for existing use at £7.4m. These properties were included in the accounts for the year ended 31st December 1980 at an aggregate figure of £7.0m. The values attributed to each of the freehold and leasehold properties shown in the above table with the exception of Oulton Works are those given in the valuation referred to above. Since 31st December, 1980, Oulton Works, Lowestoft has been acquired from Philips for a consideration of £350,000.

+This property is the subject of a contract for sale to the Portsmouth City Council for £415,000 plus certain additional sums, including any increase in market value between 1st June, 1980 and the date on which the Council is entitled to possession. CEI has purchased a freehold site at Kingston Crescent, Portsmouth, for £110,500. A factory with an approximate floor area of 44,000 square feet is being built on this site at a cost of approximately £1.2m. and is due for occupation early in 1982. Until then, the Unicorn Works will continue in operation.

STATUTORY AND GENERAL INFORMATION

1. Share Capital

CEI was incorporated in England as a private company on 22nd December, 1966 under the name Philips Electronic Holdings Limited as a vehicle for the acquisition of the Ordinary Shares of Pye of Cambridge Limited ("POC"). It was converted into a public company on 25th January, 1967.

Following a successful bid for POC, Philips Electronic Holdings Limited increased its authorised share capital, first to £12,432,329 and then to £12,478,275 by the creation of 49,913,093 additional Ordinary Shares of 25p each, and changed its name to Pye Holdings Limited. As part of the consideration for the acquisition of POC had been the grant of options to subscribe Ordinary Shares, the public subsequently became interested in approximately 39 per cent. of the enlarged share capital of Pye Holdings Limited, the remaining 61 per cent. being held by the N.V. Philips Group. On 31st March, 1977, N.V. Philips sold its holding of 4,433,560 Ordinary Shares of 25p each in CEI to Philips.

In 1977, most of the Pye Group's audio and video interests were disposed of to Philips for a cash payment. On 1st October, 1979 19,269,088 Ordinary Shares of 25p each, representing approximately 39 per cent. of CEI's issued share capital and being all the Ordinary Shares not already owned by Philips, were cancelled under a Scheme of Arrangement in consideration of the payment by Philips to the former holders of such shares of 180p per share (£34,720,000 in total) and an equal number of Ordinary Shares were allotted, credited as fully paid up, to Philips. In December, 1979 POC disposed of its share interests in certain overseas subsidiary and associated companies to other companies in the N.V. Philips Group for a cash payment of approximately £4,677,000. On 7th March, 1980, all of the 2,935,853 5½ per cent. Cumulative Preference Shares of £1 each in POC were cancelled under a Scheme of Arrangement in consideration of the payment by CEI to the former holders of such shares of 58p per share (£1,703,000 in total). As a result of the two Schemes, Pye Holdings Limited and POC became wholly owned subsidiaries of Philips and on 1st April, 1980, Pye Holdings Limited changed its name to *Cambridge Electronic Industries Limited.*

Soon afterwards the Pye Group was reconstructed and a number of subsidiaries, which then comprised the major part of the Pye Group and which were engaged in the professional electronic equipment market, were transferred to Philips together with the properties relating thereto. At the same time, Philips transferred to the CEI Group an important property and certain companies whose activities fitted in more logically with those of the CEI Group.

On 27th June, 1980, the authorised share capital of CEI was reduced from £12,478,275 divided into 49,913,100 Ordinary Shares of 25p each (49,119,648 of which were then in issue and fully paid up) to £3,000,000 divided into 12,000,000 Ordinary Shares of 25p each, and the share premium account was reduced from £17,068,418 to £14,466,000, by the repayment to Philips of £11,880,330 and the cancellation of 37,913,100 of the Ordinary Shares. On the same date the authorised share capital was re-increased to its former amount by the creation of 37,913,100 Ordinary Shares of 25p each.

On 21st May, 1981, CEI was re-registered as a public limited company. On 2nd June, 1981, the Directors of CEI were generally and unconditionally authorised pursuant to section 14 of the Companies Act 1980 to allot relevant securities up to a maximum nominal value of £9,478,275 (such authority to expire on 1st June, 1986, unless previously revoked or varied by CEI in General Meeting) and the Directors were given power to allot equity securities pursuant to that authority as if section 17(1) of the Companies Act 1980 did not apply to any such allotment.

On 2nd June, 1981, 24,000,000 of the unissued Ordinary Shares of 25p each were allotted, credited as fully paid up, to Philips by way of capitalisation of part of the amount standing to the credit of the share premium account.

Save as disclosed herein, no share or loan capital of CEI or of any of its present subsidiaries has since 5th June, 1979 been issued for cash or for a consideration other than cash (other than share or loan capital now held within the CEI Group) nor is any such capital proposed to be issued and since that date no commissions, discounts, brokerages or other special terms have been granted by CEI or any of its subsidiaries and no share or loan capital is under option or agreed conditionally or unconditionally to be put under option. No material issue of shares (other than to shareholders *pro rata* to existing holdings) will be made by CEI within one year of the date of this Offer for Sale without the prior approval of shareholders in general meeting. No issue of any of the shares at present unissued will be made which would effectively alter the control of CEI or the nature of its business without the prior approval of shareholders in general meeting.

2. Principal Subsidiaries

Name	*Date of Incorporation*	*Share Capital Issued*
Ajax Machine Tool Company Limited	18th April 1953	35,000 £1 Ordinary Shares 35,000 £1 Deferred Shares
Belling & Lee Limited	20th December 1922	500,000 £1 Ordinary Shares 20,000 'A' £1 Ordinary Shares
Bepi (Electronics) Limited	28th September 1962	121,176 £1 Ordinary Shares
CEI Finance Limited	30th August 1961	1,000 £1 Ordinary Shares 101,000 £1 Deferred Shares
C.I. (Polymers) Limited	30th September 1946	100 £1 Ordinary Shares
Cathodeon Limited	13th March 1935	100 £1 Ordinary Shares
Cathodeon Crystals Limited	4th November 1953	2,000 5p Ordinary Shares
Egen Electric Limited	29th April 1946	10,000 £1 Ordinary Shares
Ekco Instruments Limited	20th February 1953	1,000 £1 Ordinary Shares
Graseby Dynamics Limited	14th April 1950	76,770 £1 Ordinary Shares
Graseby Instruments Limited	25th February 1944	25,410 £1 Ordinary Shares
Hinchley Engineering Company Limited	14th January 1949	17,500 £1 Ordinary Shares
Labgear Limited	19th October 1932	100 £1 Ordinary Shares
Newmarket Microsystems Limited	7th December 1953	2,000 5p Ordinary Shares
Pye Borders Electronics Limited	30th March 1965	4,180 £1 Ordinary Shares
Pye of Cambridge Limited	14th November 1960	49,729,315 25p Ordinary Shares
Pye Connectors Limited	21st September 1954	100 £1 Ordinary Shares
Pye Electro Devices Limited	5th June 1931	50,000 £1 Ordinary Shares
Pye RF Systems Limited	11th September 1964	100 £1 Ordinary Shares
Pye Switches Limited	31st May 1961	12,500 £1 Ordinary Shares
Tase Drives Limited	12th July 1956	100 £1 Ordinary Shares
Varelco Limited	1st February 1962	100,000 £1 Ordinary Shares

All the above companies were incorporated in England except for Bepi (Electronics) Limited and Pye Borders Electronics Limited, which were incorporated in Scotland.

With the exception of Pye Switches Limited and Varelco Limited, which are both 51% owned, all the subsidiaries mentioned above are 100% owned.

3. Articles of Association

The Articles of Association of CEI (in this paragraph "the Company") contain provisions to the following effect:—

(a) **Voting**

Subject to any special rights or restrictions as to voting attached to any shares or class of shares, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every 25p in nominal amount of shares of which he is the holder.

(b) **Directors**

(i) A Director shall not be required to hold any qualification shares.

(ii) Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board provided that the aggregate of all such fees so paid to Directors (excluding amounts payable under any other Article) shall not exceed £50,000 per annum, or such higher amount as may from time to time be determined by ordinary resolution of the Company. The Directors shall also be entitled to be repaid their reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or committees of the Board or general meetings and shall be paid all expenses properly and reasonably incurred by them in the conduct of the Company's business or in the discharge of their duties as Directors. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to any remuneration provided for or by or pursuant to any other Article.

(iii) A Director may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his *office of Director for such period and upon* such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided for or by or pursuant to any other Article.

(iv) The Board on behalf of the Company may exercise all the powers of the Company to grant pensions, annuities or other allowances and benefits in favour of any person including any Director or former Director or the relations, connections or dependants of any Director or former Director provided that no pension, annuity or other allowance or benefit (except such as may be provided for by any other Article) shall be granted to a Director or former Director who has not been an Executive Director or held any other office or place of profit under the Company or any of its subsidiaries or to his relations, connections or dependants without the approval of an ordinary resolution of the Company.

(v) Subject to the Companies Acts and to the Articles, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, *nor shall any Director so contracting or being so interested be liable* to account to the Company or the Members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship so established, save that the nature of his interest must be declared by the Director at the meeting of the Board when the contract or arrangement is first taken into consideration or at the first meeting of the Board held after the Director became so interested.

(vi) Save as otherwise provided by the Articles a Director shall not vote (nor be counted in the quorum) on any resolution of the *Board in respect of any* contract or arrangement in which he is to his knowledge materially interested, and if he shall do so his vote shall not be counted, but this prohibition shall not apply to any of the following matters, namely:—

(a) any contract or arrangement for giving to such Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company;

(b) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company which the Director has himself guaranteed or secured in whole or in part;

(c) *any* contract or arrangement by a Director to subscribe for shares, debentures or other securities of the Company issued or to be issued pursuant to any offer or invitation to Members or debenture holders of the Company or any class thereof or to the public or any section thereof, or to underwrite any shares, debentures or other securities of the Company;

(d) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;

(e) any contract or arrangement concerning any other company (not being a company in which the Director owns 1 per cent. or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;

(f) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme which relates both to Directors and employees of the Company or of any of its subsidiaries and does not accord to any Director as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates;

(g) any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the Director benefits in a similar manner as the employees.

(vii) Where arrangements are under consideration concerning the appointment (including the arrangement or variation of the terms thereof, or the termination thereof) of two or more Directors to offices or places of profit with the Company or any other company in which the Company is interested, a separate resolution may be put in relation to each Director and in such case each of the Directors concerned (if not debarred from voting under paragraph (vi) (e) above) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(viii) If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board.

(ix) The Company may by ordinary resolution suspend or relax the provisions summarised under (v), (vi), (vii) and (viii) above to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(x) The provisions of section 185 of the Companies Act 1948 (relating to the appointment and retirement as Directors of persons who are aged 70 or more) shall apply to all the Directors of the Company.

(xi) At each Annual General Meeting of the Company one third of the Directors, other than the Managing Director, for the time being (or, if their number is not a multiple of three, the number nearest to but not exceeding one third) shall retire from office by rotation but shall be eligible for re-election.

(c) **Statutory Notices**

The Board is empowered, where any person fails to comply with a notice given pursuant to Section 27 of the Companies Act 1976 in respect of the shares the subject of the notice, by notice to the registered holder of such shares not earlier than 42 days after the service of the original notice to declare that such shares shall not carry a right to vote either at any general meeting of the Company or at any separate general meeting of the holders of the shares of that class until the original notice has been complied with and such shares shall confer no such voting rights until such compliance.

(d) **Borrowing Limits**

(i) The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Acts, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of *the Company or of any third party.*

(ii) The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (but as regards subsidiaries only insofar as by such exercise it can secure) that the aggregate amount from time to time outstanding of all borrowings by the Company and its subsidiaries for the time being and for the time being owing to persons other than the Company and its wholly-owned subsidiaries shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to twice the Adjusted Capital and Reserves, as defined in the Articles, which for this purpose includes minority shareholders' interests in subsidiaries.

4. Share Schemes for Employees

The following are summaries of the Rules of the two Share Schemes for employees in the CEI Group which were approved by CEI in *General Meeting on 2nd June, 1981, the Save As You Earn Share Option Scheme being adopted subject to any changes as may be* necessary to obtain Inland Revenue approval.

A. The Senior Executive Share Option Scheme

(1) Participants

Senior employees and executive Directors of the CEI Group who are selected by the Board of CEI in its absolute discretion will be offered options to subscribe for Ordinary Shares in CEI under the Scheme.

(2) Granting of Options

The first grant of options may be made within 30 days after the publication of CEI's accounts for the year ending 31st December, 1981. Thereafter, grants may normally be made within 30 days after the publication of CEI's annual accounts. No options will be granted under the Scheme more than ten years after the date of the adoption of the Scheme.

(3) Prices of Shares

The subscription price for shares under option will be not less than the higher of the middle market quotation of CEI's Ordinary Shares on the business day preceding the day the option is granted (as derived from the Daily Official List of The Stock Exchange) and the nominal value of the shares.

(4) Maximum number of Shares to be made available

The maximum number of Ordinary Shares in respect of which options under the Scheme may be granted is 1,800,000, representing 5 per cent. of CEI's present issued Ordinary Share capital, provided that the number of shares in respect of which options have been granted pursuant to the Scheme, the Save As You Earn Share Option Scheme, and any other employees' share scheme approved by CEI in General Meeting shall not exceed in aggregate 2,700,000, representing 7½ per cent. of the Company's present issued Ordinary Share capital. There is provision for these limits and/or the subscription price to be adjusted by the Board of CEI, subject to the written confirmation of the auditors of CEI that, in their opinion, such adjustment is fair and reasonable, in the event of specified future alterations in the issued Share capital of CEI.

(5) Maximum Subscription for each Participant

No participant will be granted options which result in the total subscription price of his options exceeding four times his Current Annual Remuneration (as defined in the Scheme).

(6) Control of Options

The Board will determine the maximum number of Ordinary Shares over which options will be granted on any occasion.

(7) Exercise of Options

An option will normally be exercisable only while the participant is employed by the CEI Group. It may be exercised in normal circumstances during a period of sixty days from the date when an interim dividend is announced or, as the case may be, from the date when the Annual General Meeting of CEI is held, in each of the third to the eighth years, after the date of grant, being exercisable as to one sixth of the shares the subject of the option in the third such year, increasing by yearly stages to five sixths of such shares in the seventh year, with the balance exercisable in the eighth such year. However, it may also be exercised earlier in certain circumstances, for example, if the participant dies or ceases to be employed by the CEI Group by reason of redundancy, injury or disability or by the employing company leaving the CEI Group. In the event of change of control of CEI or on a voluntary winding up of CEI a participant may exercise his option(s) in full or in part, and, in either case, be treated in the same way as any other Ordinary Shareholder of CEI.

(8) Options not Assignable

An option will not be assignable or transferable.

(9) Shares issued under Options

Shares issued pursuant to the exercise of options will, with effect from the date of issue, rank *pari passu* with existing Ordinary Shares of CEI (other than in respect of a dividend payable to the holders of Shares on the register on a date before that date), and application will be made to the Council of The Stock Exchange for such shares to be admitted to the Official List.

(10) Variation and Termination of Scheme

The Board may as provided in the Scheme alter limited aspects of the Scheme, but the more important features, including those described in paragraphs (1), (3), (4), (5), (7) and (9) above, may be altered only with *the prior sanction of CEI* in General Meeting. CEI in General Meeting or the Board of CEI may at any time terminate the Scheme, but without affecting any subsisting options previously granted.

B. The Save As You Earn Share Option Scheme

(1) Participants

Eligible Employees (as defined in the Scheme) of the Group (as defined in the Scheme) will have the right to apply for options to subscribe for Ordinary Shares in CEI if they have been full-time employees of the Group for a continuous period of not less than one year. The Board of CEI may at its discretion offer options to other United Kingdom employees of the Group.

(2) Granting of Options

After the Board has invited applications for options, the first grant of options may be made within 30 days after the publication of CEI's accounts for the year ending 31st December, 1981. Thereafter, grants may normally be made within 30 days after the publication of CEI's annual accounts. No options will be granted under the Scheme more than ten years after the date of the adoption of the Scheme or more than 30 days after the business day in respect of which the price for shares under such options is determined.

(3) Price of Shares

The subscription price for shares under option will be determined at the time of the invitation for applications for options and will be not less than the higher of 90 per cent. of the middle market quotation of CEI's Ordinary Shares on any business day as determined by the Board, being not more than ten business days before the date of invitation to apply for options, (as *derived from the Daily Official List of The Stock Exchange)* and the nominal value of the shares.

(4) Savings Contract

On the grant of an option, a participant will be required to enter into an approved savings contract. A participant may elect to have a fixed monthly sum in whole pounds between £10 and £50 deducted from his pay and saved for five years, after which time he will be entitled to a tax-free bonus equal to 18 months' contributions. A participant will not be required to terminate his savings contract on exercise of his option.

(5) *Maximum number of Shares to be made available*

The maximum number of Ordinary Shares in respect of which options under the Scheme is granted is 1,800,000, representing 5 per cent. of CEI's present issued Ordinary Share capital, provided that the number of shares in respect of which options have been granted pursuant to the Scheme, the Senior Executive Share Option Scheme, and any other employee's share scheme approved by CEI in General Meeting shall not exceed in aggregate 2,700,000, representing 7½ per cent. of CEI's present issued Ordinary Share capital. There is provision for these limits and/or the subscription price to be adjusted by the Board of CEI, *subject to the written confirmation of the auditors of CEI that, in their opinion,* such adjustment is fair and reasonable, in the event of future alterations in the issued Share Capital of CEI.

(6) Maximum Subscription for each *Participant*

It is proposed to limit the total subscription price of shares granted under each option to seventy-eight times the monthly contributions under the savings contract to be entered into upon the grant of such option. The £50 monthly limit on contributions to savings contracts imposes a maximum subscription of £3,900.

UK COMPANY NEWS

Everards higher at midyear

TAXABLE PROFITS of Everards Brewery improved marginally from £629,300 to £651,200 in the 24 weeks to March 14 1981 on turnover £721,100 higher at £6.65m.

The directors say current trade is encouraging and they anticipate an increase in profit for the full year. For the 12 months to September 27 1980 the Leicester-based brewer, bottler and soft drinks manufacturer emerged with a pre-tax profit of £1.53m, compared with £1.37m a year earlier.

In the first half last year there was extraordinary credit of £135,708 against nil this time.

The group says it has obtained Class IV industrial planning approval on 28 acres within half a mile of junction 21 on the M1 and will need a high level of retained profit to develop 12 acres of this site for its own use which will secure the future independence of the company.

Trans-Oceanic revenue falls to £428,000

Revenue after tax of the Trans-Oceanic Trust fell from £480,456 to £428,291 in the six months to the end of April 1981. The directors are recommending a two-for-one scrip issue of 24m shares.

Tax took £281,246 (£281,291), and after preference dividends of £10,500 (same) the attributable revenue emerged at £417,791 (£469,956).

A maintained interim dividend of 2.5p per 25p share was paid on May 6 absorbing £300,237. Net assets applicable to ordinary shares stood at £40.58m (£27.84m) and the net asset value per share is stated at 337.9p (231.8p).

The 24,019,014 new 25p shares will be issued by way of a capitalisation of reserves and are to bring the issued share capital more into line with the capital employed.

Warren Plant. in line with forecast

IN LINE with a forecast of over £5m for 1980, Warren Plantation Holdings turned in pre-tax profits of £5.26m although they were lower than the £6.79m for the previous year. Turnover moved ahead slightly from £29.25m to £30.86m.

The dividend has been maintained at 10p net per 25p share with a same-again final of 7p, also forecast at the time of the one-for-four rights issue, last December.

In their interim statement directors said that although profits were nearly doubled, from £735,000 to £1.45m for the first six months, indications were that the full year's result would be lower.

A geographical analysis of turnover and operating profit—£4.82m (£6.28m)—shows: UK £10.84m (£9.94m) and £1.61m (£1.58m); India £12.11m (£11.81m) and £1.74m (£2.06m); Kenya £4.45m (£4.06m) and £973,000 (£1.39m); Indonesia £2.23m (£2.06m) and £1.01m £1.17m); Papua New Guinea £1.23m (£1.39m) and £32,000 loss (£149,000 profit); Australia £480,000 loss (£75,000).

Four territories—UK, India, Kenya and Indonesia—again each contributed in excess of £1m profit, directors say. The costs in respect of the development at Iffley Cotton, Australia, were in line with expectations.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Archimedes Investment Trust, Bass, Carr's Milling Industries, Deelkraal Gold Mining, East Driefontein Gold Mining, Vlakfontein Gold Mining.

Finals:—Brownlee, Caffyns, Capper-Neill, Country and New Town Properties, Doornfontein Gold Mining, Jentar, Kloof Gold Mining, L.C.P., Libanon Gold Mining, Thomas Locker, J. T. Parrish, Sketchley, Vectis Stone, Venterspost Gold Mining, West Driefontein Gold Mining.

FUTURE DATES

Interims:—	
Countryside Properties	June 16
Hemfray	July 8
Muirhead	June 15
Trident Television	June 23
Finals:—	
Alliance Investment	June 16
Braby Leslie	June 18
Chloride	June 24
Craig and Rose	June 19
Eucalyptus Pulp Mills	June 12
Ferranti	June 24
Tesco Stores	June 17
UKO International	June 12
W.G.I.	June 12

The recession in the UK is inevitably affecting the two subsidiaries, Joseph Mason and D.K.S., they explain. Generally commodity prices are at lower levels and weather conditions have been less than favourable for crops.

As announced the group is investing part of the rights monies in Australia and Indonesia; the pared with £2.92m.
unities under investigation.

OOn the group's strategy the directors say that with the political feeling generated by the foreign ownership of land, "it will not be possible for any forward looking group to maintain its investment solely in plantations."

They add that it is also becoming increasingly difficult to identify plantation projects which provide an adequate return on the investment in financial and managerial terms.

With these factors in mind directors are endeavouring to capitalise on the overseas experience and knowledge within Warren to assist in furthering its expansion.

Pre-tax profit included associates share of £436,000 against £507,000 and was subject to tax of £3.04m (£3.72m). After minorities, £42,000 (£310,000) and an extraordinary credit of £285,000 (£157,000), the attributable balance came out at £2.46m compared with £2.2m.

Earnings per share are shown as 25.82p (32.79p).

On a CCA basis pre-tax figure is reduced to £4.32m.

● comment

Warrent Plantation's profits are well down from 1979 levels, largely due to soft prices for its coffee, tea, rubber and palm oil. The UK paint company held up surprisingly well in the recession, apparently because commercial vehicle operators chose to repaint their old trucks rather than buy new ones: This year looks more difficult for the group as cotton and coffee prices are off about 12 per cent, oil palm prices are flat, and the weather has been unfavourable. All of which is good grist for the board's policy—hotly contested at the time of last December's rights issue—of diversifying away from plantations in developing countries. The latest move in that direction, the cotton joint venture in Australia, produced a £0.5m loss in 1980 but is expected to turn in a profit this year, a year ahead of schedule. Last month, Warren invested another £1.4m in expanding the venture and is looking for more opportunities down under. Despite the dull short-term outlook, the shares have been strong since CIPEF, the Belgian plantation group, raised its stake to 25½ per cent last January.

E. J. Riley post for Sir Fred Pontin

SIR FRED. PONTIN, former head of Pontin's holiday camp group, has been appointed to the board of E. J. Riley, snooker table manufacturer and club operator. Sir Fred has bought 450,000 shares in the group, equivalent to 6.5 per cent of the equity.

The management of Riley hopes to use Sir Fred's expertise and experience in the fields of leisure and entertainment to expand its own operations, though no specific plans have yet been put forward.

Anglo-Indonesian profit halved

RISING production and relatively favourable prices in rubber failed to offset the continued low prices of tea for the Anglo-Indonesian Corporation in 1980 and pre-tax profits were more than halved at £526,194 against £1.09m.

Mr. Michael Nightingale, chairman, says that although any real improvement will be slow in the short term, the stage is set for significant growth in the group's plantation and engineering interests. Because of the strong cash position and satisfactory level of distributable profits, the single dividend is being maintained at 3.3275p net.

Turnover plunged from £10.34m to £3.48m, reflecting the sale of the Sri Lankan engineering and trading interests.

The sale is included in an extraordinary profit of £635,093 (nil), lifting the retained surplus from £547,163 to £609,356. The extraordinary items also included losses of £129,000 in the 31 per cent owned associate, Eva Industries.

The pre-tax profit, which included associates' share of £224,330 (£441,240), was subject to tax of £243,747 (£249,767). Minorities took £155,960 (£144,202) and dividends again absorbed £152,224.

Earnings per 25p share, excluding extraordinary items, are shown down from 15.29p to 2.76p.

Mr. Nightingale says difficult conditions in the UK engineering industry dramatically reversed the performance of Colman's, the agricultural machinery subsidiary, and further depressed Eva Industries. Eva incurred substantial rationalisation and redundancy costs but is, he believes, about to benefit from its flourishing business overseas.

On a current cost basis, the group showed a pre-tax loss of £130,000.

Dwek Group plunges to loss of £351,000

IN 1980 the Dwek Group plunged from a pre-tax profit of £280,304 to a loss of £350,901 on increased turnover of £9.46m compared with £8.69m.

At the half year stage this north London based manufacturer of PVC sheeting and household goods made a loss before tax of £105,000 (£146,000 profit) and turnover stood at £4.78m (£4.11m).

The directors have declared a nil dividend for the year. In 1979 the company paid 0.2432p per 10p share.

Tax took £8,925 (£11,248) and the attributable loss emerged at £311,115 (£269,056 profit) after minority interests of £4,561 (nil) and extraordinary items of £53,272 (nil).

The loss per share is shown as 4.33p (3.59p earnings). Current cost adjustments increase the attributable loss to £641,000.

However, Mr M. Dwek, chairman, says turnover for the first quarter of 1981 has shown some improvement over the same period of 1980. This, combined with the reduction in certain fixed overheads and following the disposal of the company's freehold premises, has enabled the group to break even in the first three months of the current year.

Lion Match ahead at six months

Continued improved trading conditions helped Lion Match, the 64.8 per cent owned South African subsidiary of Wilkinson Match, lift its pre-tax profits from R3.77m to R5.07m in the half year to the end of March.

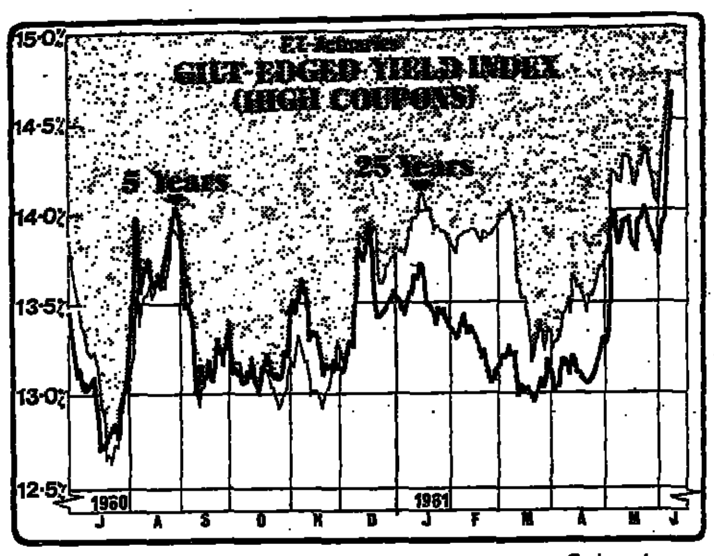
The directors warn that consumer spending levels will not be sustained during the second half and earnings are not likely to match those of the first six months. Nevertheless, they expect the full year's profit to show an advance of 20 per cent.

Foreign borrowers in the sterling bond market: **Francis Ghiles** reports

Revived 'bulldog' market

THE DOMESTIC sterling bond market for foreign borrowers reopened last summer after more than a decade with a much heralded £75m, 25-year issue for the Kingdom of Denmark. Seven other issues have been launched since then, amounting to £355m but it would be a bold claim to say that the market had come of age.

The reopening of what is known among City bankers as the "bulldog" market came as no surprise, but it was greeted with applause in the halls of the merchant banks. Indeed, UK foreign exchange controls had been lifted in October 1979 and the step taken by the Bank of England in opening up the domestic sterling bond market to foreign borrowers was viewed as having logic on its side.



Graham Lever

An optimistic view of Britain's economic outlook argued that the British Government would soon be receiving such high tax revenues from North Sea oil that its borrowing requirements would decline, substantially. The UK's current account would be in surplus, generating a need to export capital.

Much has been achieved by the new market and, despite the difficulties currently faced by the UK economy, it has developed both in width—in terms of new borrowers—and in depth—the trading in seasoned issues.

The queue of borrowers wishing to tap the bulldog market which the Bank of England runs has two tiers. The "firm" queue includes those borrowers expected to come in the next two-three months and have already booked a date for launching a bond with the Government broker.

The looser waiting list includes 20 to 30 names of borrowers which have expressed a strong interest in arranging a *bulldog bond in the near future.* When the Bank has to decide when to let a foreign borrower come to the domestic sterling *market it must also fit the* issue into the calendar of company rights issues and local authority bond issues. In its view, the *emergence of the bulldog market* broadens the whole sterling bond market and improves its efficiency.

Of the eight borrowers which have to date tapped the market, four are Scandinavian: Denmark, Iceland, Sweden and Finland. One is from the Third World, the Mexican state oil company Pemex, and one is the prestigious World Bank. There is also a Commonwealth name, Hydro Quebec, and a Japanese one, a convertible for Nissan Motor.

A number of reasons have led these borrowers to London. First, diversifying their source of funds is an aim which more and more borrowers are pursuing. This reason is cited notably by the World Bank and Pemex. Second and as important the nominal interest cost has recently been lower than the alternative cost of a U.S. dollar borrowing.

This point is emphasised by the Treasurer of the World Bank, M Eugene Rotberg. Last summer, when Denmark came to the market, it had to pay *more on its bulldog than if it* had chosen to arrange a Eurodollar bond (exact coupon differentials are difficult because no Eurobonds carry the kind *of maturity which Denmark was* able to get on its bulldog bond —25 years). That not one bulldog bond was launched between *July 1980 and January 1981 is* because sterling long bond rates did not fall as fast last autumn as many in the banking com*munity had expected.*

Thus, even those international borrowers which were attracted by the very long *maturities they could obtain on* bulldog bonds—and which they cannot obtain in any other capital market—were unwilling to commit themselves ahead of a fall in sterling rates. In the event, sterling rates fell less than expected but U.S. dollar rates moved up to levels which were unprecedented. The interest rate differential against sterling thus reversed.

The domestic sterling market for foreign borrowers was also helped by the volatile conditions in other bond markets this year.

Even the World Bank has had the misfortune of under subscribed issues in the Swiss Franc and Guilder sectors this year, while D-Mark foreign bonds are more difficult to arrange in 1981 than at any time in the previous decade because of the weakness of the German currency vis-a-vis the dollar and the sharp rise in German interest rates.

The bulldog market has thus grown partly as a result of the relative failure of other sectors to accommodate smoothly their usual volume of borrowing. So long as the U.S. currency and interest rates remain so high, these difficulties will continue.

Bulldog bond issues come in two forms: private placements and offers for sales. In the first instance the new issue is priced in the morning and placed during the day. The managers will place whatever paper they can in house: the brokers will sell what is left of the paper to *other UK institutions.* Of the long-dated issues which have accounted for four of the eight arranged so far, all are place*ments.*

In the second instance, three days or more will elapse between the offer for sale and the *closing of the issue. More time* is required because the managing and selling group are of an international rather than a *British* nature and a large amount of paper can be expected to find its way abroad. Foreign investors are not used *to buying very long-dated paper* which explains their lack of interest in the very long "bulldogs."

Bonds for sovereign borrowers which are offered for sale rather than placed are eligible for gilt edged commissions which are finer than those necessary in the case of private placements.

New issues are priced to offer investors a yield somewhat *higher than that available* on a gilt edged stock of comparable maturity. This differential can vary, according to the banker's *perception of the quality of the* risk offered by the borrower, from 50 basis points, for the World Bank, to 176 basis points, *in the case of Iceland.*

In a number of instances however this yield gap has widened considerably since the issue was launched. The yield gap on the first bulldog bond, for Denmark, is now more than double what it was last August, 139 basis points above the 12¼ per cent of 2003-05 gilt-edged stock instead of 60 basis points, while the recent issue for Finland which was priced to offer investors a yield of 75 basis points above the 12 per cent of 1986 gilt-edged stock now offers them a *yield 110 basis points* above the UK Government bond.

Against this the World Bank "bulldog" has seen the yield differential against the same UK Government bond narrow from an initial 50 basis points to 44 points.

These developments suggest that some of the issues have not been as well placed as lead managers claim. One senior merchant banker said that he felt that too many British institutional arms were being twisted and that, were the practice to continue, it would prove very detrimental to the orderly development of the market. Investors meanwhile are none too happy that, because of a poor gilt edged market recently, all bulldog bonds are showing a loss to date.

Trading spreads on many of the issues have also widened, which suggests that there is still *much work to be done on this* front. It is of course difficult to ensure smooth trading conditions with so few as eight *issues. When that figure* reaches 20, life will be easier.

There is also evidence, however, that some of the jobbers burnt their fingers by calling too high prices, particularly when new issues started trading. They naturally protected themselves by widening the trading spread.

Merchant banks in the City also hope that British institutions, which have in recent years been spoilt by too rich a diet of government debt will relearn the art of credit analysis. Meanwhile they are keeping their fingers crossed. They acknowledge the problems but, for the most part, express confidence that the market will come of age by the end of this year.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Guinness Mahon	12 %
Allied Irish Bank	12 %	■ *Hambros Bank*	12 %
American Express Bk.	12 %	Heritable & Gen. Trust	12 %
Amro Bank	12 %	■ Hill Samuel	§12 %
Henry Ansbacher	12 %	C. Hoare & Co.	†12 %
AP Bank Ltd.	12 %	Hongkong & Shanghai	12 %
■ Arbuthnot Latham	12 %	Knowsley & Co. Ltd.	14 %
Associates Cap. Corp.	12 %	Langris Trust Ltd.	12 %
Banco de Bilbao	12 %	Lloyds Bank	12 %
BCCI	12 %	*Mallinhall Limited*	12 %
Bank of Cyprus	12 %	Edward Manson & Co.	13 %
Bank of N.S.W.	12 %	Midland Bank	12 %
Banque Belge Ltd.	12 %	■ Samuel Montagu	12 %
Banque du Rhone et de la Tamise S.A.	12½ %	■ Morgan Grenfell	12 %
Barclays Bank	12 %	National Westminster	12 %
Beneficial Trust Ltd.	13 %	Norwich General Trust	12 %
Bremar Holdings Ltd.	13 %	P. S. Refson & Co.	12 %
Bristol & West Invests.	13 %	Ryl. Bk. Canada (Ldn.)	12 %
Brit. Bank of Mid. East	12 %	Slavenburg's Bank	12 %
■ Brown Shipley	12½ %	E. S. Schwab	13 %
Canada Perm't Trust	13 %	Standard Chartered	‖12 %
Cayzer Ltd.	12 %	Trade Dev. Bank	12 %
Cedar Holdings	12 %	*Trustee Savings Bank*	12 %
■ Charterhouse Japhet	12 %	TCB Ltd.	12 %
Choulartons	12 %	United Bank of Kuwait	12 %
C. E. Coates	12 %	Whiteaway Laidlaw	12½ %
Consolidated Credits	12 %	Williams & Glyn's	12 %
Co-operative Bank	*12 %	Wintrust Secs. Ltd.	12 %
Corinthian Secs.	12 %	Yorkshire Bank	12 %
The Cyprus Popular Bk.	12 %		
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	14 %		
First Nat. Secs. Ltd.	14 %		
Robert Fraser	12 %		
Antony Gibbs	12 %		
Greyhound Guaranty	12 %		
Grindlays Bank	‡12 %		

■ Members of the Accepting Houses Committee.

* *7-day deposits 9%, 1-month 9¼%. Short term £4,000/12 months 11.85%.*

† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¼% and over £50,000 10¼%.

‡ Call deposits £1,000 and over 9%.

§ Demand deposits 9½%.

‖ 21-day deposits over £1,000 10½%.

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Spanish banks in move to counter bid from BNP

BY ROBERT GRAHAM IN MADRID

A CONSORTIUM of the big seven Spanish commercial banks was last night finalising an offer to prevent France's Banque Nationale de Paris (BNP) from acquiring the ailing commercial bank, Lopez Quesada. The move is the most dramatic evidence yet shown of the concern by the big Spanish banks at the penetration of foreign banks following Barclays' purchase of Banco Valladolid in January.

The deadline for the offer was midnight last night and has already been extended by a week to permit the mobilisation of a wholly Spanish takeover.

The original deadline fell due on May 30, but BNP was the sole bank to have made an offer—believed to have been around PTA 5bn ($52m). Faced with the prospect of another foreign bank controlling a Spanish subsidiary, the big seven decided to act. The banks involved in the consortium are Banesto, Bilbao, Central, Hispano-Americano, Popular, Santander, and Vizcaya.

The Spanish authorities have pointed out to these banks that unless they make a satisfactory offer there will be no option but to let BNP take over Lopez Quesada. The bank was taken over by the so-called "bank hospital" — the Corporacion Bancaria—last October.

It is understood to have accumulated debts of Pta 8bn and is currently capitalised at Pta 3.9bn, with deposits of Pta 15bn. Its principal asset is a palace in the centre of Madrid, recently converted as its headquarters, and said to be worth around Pta 3bn.

The auction of Lopez Quesada coincides with that of another smaller commercial bank, Meridional, whose capital is Pta 1.6bn, with deposits of Pta 5.7bn. This bank has been with the Corporacion Bancaria much longer, and Vizcaya has bid for it.

The formula being worked on by the big seven yesterday was a package in which they would form a new holding company which would in turn acquire both of these banks. This formula avoided the problem for the authorities of explaining how a lower offer than that of BNP for Lopez Quesada would be acceptable.

It has been widely assumed here that the cost for a foreign bank purchasing a Spanish bank would have a premium attached—among other things because foreign banks are not obliged to contribute to a special deposit guarantee fund, which supports ailing banks.

Texaco buys more stock

By Our Financial Staff

TEXACO, the New York-based oil group, intends to buy up to 5m more of its common shares on the open market. This will bring to 13m the number of its own shares which Texaco will have purchased since mid-1980.

Texaco, whose newly-formulated management strategy is to increase exploration for oil and gas as well as to continue to modernise its refining facilities, indicated in March this year that it would purchase more shares in the market from time to time.

Major institutions at present hold about one-third of the common stock. Nearly $20bn of capital and exploratory expenditure has been budgeted for the years 1981-85. More than one-third of the $2.2bn profit earned last year came from petroleum, natural gas and other operations inside the U.S.

U.S. advertising group acquires London agency

BY MICHAEL THOMPSON-NOEL

COMPTON Communications, the world's 15th biggest advertising group, has acquired the London agency, KMP Partnership, best known for its "Buzby" television commercials for the telephone service of British Telecom.

The deal involves effective exchange of all the KMP equity, owned by its 10-man executive board, in return for a "significant shareholding" in Compton. The value of the transaction has not been disclosed.

Compton's total advertising billings last year are put at $874m, with $385m in the U.S. In Britain, KMP's projected 1981-82 billings are £21m.

Mr. Milton Gossett, chairman of Compton Communications, stressed yesterday that the KMP deal in no way affected Compton's relationship with Britain's publicly quoted Saatchi and Saatchi Compton, in which it holds a 19.95 per cent stake.

Saatchi, which numbers the British Conservative Party among its clients, is Britain's joint biggest agency and has its own plans for expansion into the lucrative U.S. advertising market.

The Compton-KMP deal underlines the dominance of U.S.-owned agencies in Britain. Ten of London's 15 biggest agencies—and 14 of the 20 biggest—are U.S.-owned.

Compton says the acquisition will involve no change in KMP's management structure or methods of operation. It says the acquisition will ful fil a long-held objective of having its own majority-owned UK agency.

$200m fixed rate Eurobond for EDF

By Francis Ghilès

ELECTRICITE DE FRANCE, the French state electricity utility, intends to raise up to $200m through a three-year Eurbond. The issue, led by Salomon Brothers, is being offered on an indicated annual yield basis of 14¾-¼ per cent and includes two unusual features.

It involves a "tap" element, whereby initial $75m tranche of three-year notes will be issued immediately, while the remainder may follow, at the borrower's option, before March 12, 1982.

It is believed to be the first time that a fixed interest Eurodollar bond is being backed up by a line of credit. This is being done to allow investors to avoid paying withholding ta— in France, mandatory under French law in the case of French paper of less than five years' maturity.

Earlier this year, EDF raised a $600m 10-year Eurocredit under the leadership of Credit Lyonnais. It is entitled to use the proceeds to back up the issue of commercial papert n the New York market or to back up other services
securities of less than five years' maturity, such as the bond announced yesterday.

Total commissions on this bond are believed to be "Yankee" style, that is tighter than would be customary for a Eurobond issue. In this instance, total commissions amount to less than 1 per cent.

The EDF bond will be priced around 96, a discount which will make it easier for the lead manager to issue more paper if the fixed interest dollar bond sector improves significantly in the coming months.

Fixed interest dollar Eurobond prices gained ½ point on the day as dealers in Europe marked up prices to catch up with the gains made in New York late on Friday. There was little real buying interest, however, mainly because most European financial centres were closed for Whitsun.

David Lascelles talks to the new chief of the largest U.S. bank

Heads down at Bank of America

"A BAPTISM of fire" is how Mr Sam Armacost describes his first few weeks as president of Bank of America, the largest bank in the U.S. with nearly $115bn in assets.

With the departure of Mr Tom Clausen to head the World Bank in April, Mr Armacost took over the top job just as B of A was reporting its first quarterly downturn in profits since it started publishing individual quarterly results in 1967. The bank also seems about to lose the number one slot in the U.S. banking league to Citicorp of New York, whose aggressive growth tactics have brought the two bank holding companies neck and neck in size, measured in assets. However, Bank of America's banking subsidiary is still much bigger than Citicorp's subsidiary, Citibank.

As U.S. interest rates continue to hover around record levels, it is widely expected that B of A will report a further quarterly drop in July, though Mr Armacost declined in a recent interview to make any specific predictions. Many bank stock analysts recently demoted B of A stock from "buy" to "hold."

"We're not despondent. We're keeping our head down and moving forward," said Mr Armacost who, at 42, is one of the youngest top bank executives in the country.

For decades, B of A enjoyed what was perhaps the most coveted spot in the whole of the U.S. banking industry: an overwhelming dominance in California, which gave it a nearly 50 per cent share of the most lucrative bank market in the U.S. Although, like other large U.S. banks, B of A has expanded overseas, its home roots have always been much stronger than those of the East Coast banks, for whom the domestic market holds few attractions. But Mr Clausen's money machine, as some people nicknamed it, started to run into trouble last year.

B of A can blame its problems partly on the tough operating environment which has taken its toll on other big banks as well, including arch-rival Citicorp, but it also made some mistakes of its own.

GYRATING interest rates and changing patterns in banking are placing increasing pressure on earnings at Bank of America and presenting a challenge to its new president

The bind in which B of A finds itself stems from several recent developments which have squeezed it from two sides at once.

The Government has begun to lift the ceilings on the amount of interest banks may pay on savings deposits as part of a long-term plan to give free play to market forces in the bank deposit business, and this has meant B of A paying as much as 12 per cent for money which it had previously been getting for only 5¼ per cent. According to Mr Armacost, the volume of funds which became interest-sensitive in this was was about $6bn.

At the same time, the bank began paying interest on current bank accounts. While the rate is only 5¼ per cent, the bank was previously getting this money for nothing.

The liability side of the balance sheet was suddenly thrown into turmoil, while the asset side remained locked into low-yielding loans, mainly mortgages, which the bank contracted before interest rates skyrocketed. Combined with other factors such as slower loan growth and narrower spreads on overseas lending, this reduced the bank's net interest margin from 3.19 per cent in the first quarter of 1980, to 3.08 per cent in the latest quarter. As a result, 1981 first quarter earnings fell 19 per cent from $134.4m to $108.5m.

The management under Mr Clausen had made things worse for itself, however, by failing to follow the example of some of its competitors and lock in low cost funds when interest rates dipped in the middle of last year. Security Pacific, the second largest bank in California, reported a 26 per cent earnings gain in the first quarter, partly because it took in more than $600m at an average rate of 11 per cent last year.

Some bank analysts believe Mr Clausen was over-concerned with improving the bank's near-term profitability, and that as a result he failed to provide for the longer-term. Until this setback, though, his strategy paid off handsomely. B of A's profits last year of $645m were a quarter as much again as Citicorp's.

The remedy being pursued by Mr. Armacost is to try to hold back fixed-rate lending until interest rates ease. The bank will then go over to making variable rate mortgages, in the British style, with yields moving in line with funding costs. Banks received the authority to make such loans earlier this year.

However, B of A is also facing the problem of rising costs, mainly personnel expenses, which were up 18 per cent in the first quarter.

"We're trying to improve our productivity," said Mr. Armacost, adding that the bank was firmly committed to investing in new electronic hardware to cut out paperwork.

"If we don't do that, we'll *still be in the same bind three* to five years down the road that we're in now," he said.

But with B of A's immediate earnings outlook so dependent on interest rates, how does he see them moving?

"I've almost given up trying to forecast what will happen. Our view as an institution is that rates will continue to slow down generally. But we could be surprised."

Strong profit growth for Canadian Imperial Bank

BY ROBERT GIBBENS IN MONTREAL

THE CANADIAN Imperial Bank of Commerce, Canada's second largest chartered bank, is making improvements in its domestic operations and shows sharply higher earnings overall for the first half of the 1981 fiscal year.

In the second quarter to April 30 net earnings were C$62.4m (U.S.$51.6m), C$1.49 per share, against C$47.3m, or C$1.21 per share a year earlier.

In the first half, profits were C$140.2m, or C$3.47 per share, against C$93.4m or C$2.38 per share on total revenues of C$3.9bn against C$3bn. Assets at April 30 were C$59.5bn against C$51bn a year earlier.

The bank said domestic operations continued to improve with progress being made in asset liability management, branch rationalisation and central expense control.

It explained that at a time of rapidly rising interest rates there was a typical lag in the rate of increase in deposit costs, and this resulted in a temporary margin improvement. "This benefit occurred in the first quarter but had largely disappeared by the second quarter."

Citibank likely to lead way with Finnish unit

BY OUR BANKING CORRESPONDENT

CITIBANK seems set to become the first foreign group to establish a fully fledged banking operation in Finland. A number of other U.S. and European banks are known to be wanting to enter the Finnish market now the rules on foreign bank entry have been relaxed.

Citibank, which has had a representative office in Helsinki since 1977, has sent its application for a wholly-owned Finnish banking subsidiary to Mr Ahti Pekkala, the Finnish Minister of Finance.

There has been considerable opposition from Finnish banks to allowing foreign banks to operate in Finland, but Ministry of Finance's acceptance of applications indicates that the way is almost clear for foreign banks to enter the Finnish market.

Hambros Bank, the other leading foreign bank with a representative office in Helsinki, does not intend to apply for full banking status, for the time being. Mr Rupert Hambro, the director in charge of international operations, said yesterday that it was "not in our interests to compete with local Finnish banks."

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday June 11.

Closing prices on June 8

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15⅝ 86 (WW)	55	100¾	101	0	0	15.01
Amoco 13¾ 88	75	95½	96	+0½	0	14.23
CIBC 14½ 84	185	97⅝	98⅛	+0⅛	−0⅛	15.41
CNE 12⅝ 91	100	89⅛	89⅝	+0⅛	−0⅛	14.82
Citicorp O/S Fin. 10 86	300	85¼	85¾	+0⅛	−0⅛	14.19
Citicorp O/S Fin. 12 87	200	90⅞	91⅜	+0⅛	+0¼	14.16
Con. Illinois O/S 9¾ 86	150	83¼	83¾	+0⅛	+0⅛	14.57
Dupont Canada 13½ 91	65	96⅜	96⅞	+0½	+0⅛	14.12
EEC 11 95 (August)	70	79	79½	+0⅛	+0⅛	14.49
EIB 12⅞ 89	75	89⅞	90⅜	−0⅛	−0½	14.95
Eldorado 13¾ 86	50	94⅛	94⅝	+0⅛	−0⅛	14.93
Elec. de France 13 88	125	92¼	92¾	+0½	+0⅛	14.80
Export Dv. Con. 9½ 86	150	82⅝	83⅛	+0⅜	+0⅛	14.85
Fed. Bs. D. 12¾ 86 (N)	50	92⅜	92⅞	+0⅛	0	14.56
Fed. Bus. D. 15¾ 84 (J)	40	98⅝	99⅛	0	0	16.24
Fin. Exp. Credit 10½ 85	50	84⅛	84⅝	+0⅛	+0⅛	16.00
Finland, Rep. of 9½ 86	100	80	80½	+0⅛	−0⅛	15.64
Ford Credit O/S 14⅝ 83	150	98	98½	0	−0⅛	15.39
Ford Cr. O/S Fin. 16 84	150	102⅞	103½	+0¼	−0¼	14.52
Gaz de France 13½ 86	80	96	96½	+0⅛	−0⅛	14.61
GMAC O/S Fin. 12 87	100	89	89½	+0⅛	0	14.68
GMAC O/S Fin. 12⅞ 88	100	92	92½	+0½	+0¼	14.73
Gen. Mtrs. O/S 11¾ 87	100	89¼	89¾	+0¼	+0⅞	14.47
Genstar 14¾ 91	50	98⅞	99⅜	+0⅛	+0⅛	14.90
GTE Fin. 13¾ 86 (WW)	50	96½	97	+0⅛	0	14.74
Hiram Walker 16 86	50	101¾	102¼	0	0	15.39
IBM Wld. Trade 12½ 88	200	96¾	97¼	+0⅛	−0⅛	13.16
Newfoundland 13½ 90	60	94	94½	+0⅛	+1	14.67
Nova Scotia 10¾ 90	50	82⅝	83⅛	+0½	+0½	14.20
OKB 10 85	50	85½	86	+0⅛	−0⅛	14.86
Ontario Hydro 13½ 91	100	95	95½	+0⅛	−0⅛	14.40
Quebec Hydro 11½ 92	100	82¾	83¼	+0½	+0½	14.70
Queb. Hy. 13 91 (WW)	100	88⅞	89⅜	+0⅛	−0⅛	15.23
Royal Bk. Canada 14 88	100	97⅞	98⅜	+0⅛	−0⅛	14.53
SNCF 13 91	75	91⅜	91⅞	+0⅛	−0⅛	14.63
Sth. California Ed. 14 87	50	98⅛	98⅝	+0⅛	+0⅛	14.38
Sven Handlsbk. 13¾ 88	45	92½	93	−0⅛	−0½	15.51
Sweden 12½ 85	150	91¾	92¼	+0⅛	+0⅛	14.99
Swed. Ex. Credit 13 86	75	91⅛	91⅝	+0¼	+0⅛	15.70
Swed. Ex. Cred. 15¾ 88	50	99¾	100¼	0	0	15.78
Tordom Corpn. 15½ 86	25	†100⅞	101⅜	0	0	15.16
Toronto-Dom. Bk. 14 84	50	96⅞	97¼	+0¼	−0½	15.38
Tribune O/S Fin. 14 86	50	96⅛	96⅞	+0⅛	+0¼	14.99
World Bank 9¾ 85	200	85½	86	+0½	+0½	14.69
World Bank 10¾ 87	300	83¾	84¼	+0⅛	+0¼	14.40

Average price changes... On day +0¼ on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	*96¾	97½	−0½	−0⅛	10.47
Austria, Rep. of 8¾ 92	150	*85¼	86	−0⅛	+0⅛	10.46
CECA 7⅞ 92	150	*84½	85⅛	0	−1	10.21
CECA 10 91	120	*99	99¾	+0½	+0½	10.09
CII-Honeywell 8¾ 90	125	*88	88¾	+0¼	−0½	10.40
Council of Europe 10 91	100	*97⅞	98⅝	−0⅛	+0⅛	10.28
EIB 8½ 90	200	*87½	88¼	+0¼	−0⅛	10.59
EIB 10½ 91	200	*99¾	100¼	+0⅛	−0⅛	10.49
ESCOM 9¾ 87	100	*91⅛	91⅞	+0¼	0	11.15
Finland, Rep. of 10 89	100	*96¾	97½	+0¼	−0¼	10.55
Iberduero SA 9 90	100	*87¼	88	0	−2	11.22
Ind. Bk. Finland 8½ 90	50	*88	88¾	0	0	10.49
Int.-Am. Dv. Bk. 10 91	100	*99	99¾	+0¼	0	10.09
Japan Air Lines 8⅞ 87	100	*89⅞	90⅝	+0⅛	−0¼	10.30
Japan Dev. Bk. 7⅞ 87	100	*86	86¾	+0¼	+0⅛	10.72
Kobe, City of 8 90	100	*86¼	88	+0⅛	−0¼	10.53
Midland Int. Fin. 8½ 90	180	*87⅝	88⅜	−0⅛	−1	10.56
Nuclebras 9¾ 88	100	*86⅝	87⅜	−0¼	−1⅛	12.55
OKB 8¾ 92	150	*83¾	84½	−1⅛	−1	10.77
Oslo, City of 8¾ 90	80	*90¼	91	−0⅛	−1½	10.42
Venezuela, R. of 8¾ 90	150	*92¾	93½	−0⅞	−0⅛	11.00
World Bank 8 90	700	*83¼	84	+0⅛	−1	10.81
World Bank 10 86	150	*99⅛	99⅞	0	−0¼	10.12

Average price changes... On day 0 on week −0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	*93¾	94	+0⅛	+0¼	7.39
BFCE 6½ 91	100	*†94½	95	0	+0⅛	7.27
Bayer Int. Fin. 5¾ 92	100	*88⅞	89⅛	0	+1⅛	6.63
Bergen, City of 6¾ 91	40	*98⅛	98⅜	0	0	7.00
Bhrmn.-Tetterode 7 90	40	*†99	99¼	−0½	+0⅞	7.13
CECA 6¾ 91	80	*95½	96	+0⅜	+0⅞	7.37
Denmark 5¾ 90	80	*†86½	87	−0¼	+0⅛	7.84
Dome Petroleum 6¾ 91	100	*92½	93½	+0¼	+0⅛	8.75
Elet. de France 5¾ 90	100	*87	88	0	0	7.13
Eurofima 5¾ 92	80	*†98	99	0	0	5.93
F. G. H. Hypo. Bk. 6 90	50	*93	93¼	+0⅛	+1	7.05
Finland, Rep. of 6⅛ 90	80	*86½	86¾	−1½	+1⅛	7.70
Franc. Petroles 6½ 91	80	*94¾	95	+0⅛	+1⅛	7.24
Genstar 7 91	100	*101¼	101¾	+0½	+1	6.82
Int.-Amer. Dv. Bk. 7 91	100	*98⅛	98⅜	+0⅛	+0⅛	7.25
Japan Dev. Bank 5¾ 90	100	*92¾	93¼	+0¼	+7⅛	6.78
Mt. Blanc Tunnel 6½ 90	60	*†87	87½	0	+0⅛	7.45
Newag 5¾ 90	80	*90½	90¾	0	+1	7.19
OKB 7 93	100	*99⅞	100⅛	+0⅛	+1¼	7.00
Oslo, City of 5⅞ 90	80	*90	90¼	0	+2	7.37
Philips Lamps 5¾ 92	100	*86½	86¾	−0⅛	+1⅛	7.02
Swed. Ex. Cred. 7¼ 91	75	*†97	97½	+0⅛	+0½	7.65
Trade Dev. Fin. 6⅞ 90	50	*†92	93	0	−0¼	7.26
Voest-Alpine 5¾ 90	80	*88½	88¾	+0⅛	+0⅛	7.55
World Bank 6 91	100	*92¾	93	+0¼	+2	7.03
World Bank 7 90	100	*†100⅛	100⅜	0	−0¼	6.92

Average price changes... On day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¼ 91	15	†98¾	99¾	+0⅛	+0½	8.44
Australia 6½ 88	20	85¼	86⅛	0	+0¼	9.38
EIB 7⅛ 89	12	91½	92¾	+0¼	−0¼	9.14
Finland 5.6 83	10	90⅝	91⅜	0	+0⅛	9.85
Finland 6.8 88	10	85½	86½	0	−1⅛	9.86
Finland, Rep. of 8¾ 87	15	97⅝	98⅝	−0½	−0¼	8.79

Average price changes... On day +0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	87⅞	88⅞	+0⅛	+0⅛	14.18
CIBC 13½ 85 C$	50	93⅞	94⅞	−1⅛	−1⅛	15.49
CIBC 11½ 85 C$	60	87	88	−0⅛	−1	15.84
Federal Dev. 11½ 90 C$	60	†80½	81½	0	−0½	15.52
Fst. Can. Inv. 10 84 C$	50	†85¾	86¾	0	0	16.23
R. Bk. Canada 10 86 C$	40	89½	90½	+0⅛	+0½	12.85
Tordom Cpn. 13½ 85 C$	30	†93¾	94¾	+0¼	+0¼	15.54
M. Bk. Dnmk. 9 91 EUA	25	*88½	89¼	−0⅛	−1	10.76
SOFTE 8⅞ 89 EUA	40	*87½	88¼	0	+0¼	10.54
U. Bk. Nwy. 9½ 90 EUA	18	*96¾	97½	0	+0⅛	10.04
Algemene Bk. 10⅛ 86 Fl	60	*94¾	95¼	−0⅛	−0⅛	11.69
Bk. Mees & H. 10 85 Fl	75	*93⅛	93⅞	−0⅛	−1	12.02
Heineken NV 10 87 Fl	100	*93⅛	93⅞	−0⅛	−0⅛	11.56
Nat. Nedrlndn. 10 88 Fl	60	*93⅛	93⅞	−0½	0	11.39
Ned. Midd. Bk. 10 85 Fl	75	*94	94½	0	−0⅛	11.75
Pierson 10⅛ 86 Fl	50	*94½	95	+0⅛	−0⅛	11.73
Air France 14½ 86 FFr	200	*93¼	94¼	+0⅛	+0⅛	16.42
Bk. America 14½ 88 FFr	250	*92½	93½	+0⅛	+0⅛	15.67
Charb'nages 13⅞ 86 FFr	400	*91⅝	92⅝	0	+0¼	16.39
EIB 14⅛ 88 FFr	300	*90⅛	91⅛	0	−0⅛	16.43
La Redoute 14⅛ 85 FFr	125	*90¼	91¼	−0⅛	−0½	17.39
OKB 14 86 FFr	400	*91⅞	92⅞	+0⅛	+0⅞	16.38
Solvay et C. 14¾ 86 FFr	200	*99⅛	100⅛	−0⅛	+0⅛	14.73
Swed. Ex. C. 14⅛ 86 FFr	250	*92⅞	93⅞	0	+0¼	16.68
U. Mex. Sts. 14 85 FFr	150	*91¼	92¼	0	−1	16.91
Acona 14 85 £	20	93¼	94¼	+0⅛	−0⅛	15.93
Beneficial 14¾ 90 £	20	85½	86½	+0½	−3⅛	17.29
BNP 13½ 91 £	15	89⅞	91⅛	−0½	−2⅛	15.41
CECA 13½ 88 £	20	90⅝	91⅛	−0⅝	−3⅛	15.65
Citicorp O/S 13½ 90 £	50	91⅞	92⅞	+0¼	−2⅛	15.09
Fin. Ex. Cred. 13¾ 86 £	15	92⅝	93⅝	+0¼	−2⅛	15.85
Gen. Elec. Co. 12½ 89 £	50	87½	88¾	−1⅛	−2½	15.17
Hiram Walker 14¾ 86 £	25	94	94¾	+0¼	−1⅛	15.96
Privatbanken 14½ 88 £	12	92¼	93	0	−2	16.33
Rothschild 14¾ 90 £	12	93⅞	94⅞	+0¼	−1⅛	15.43
Royal Trustco 14 86 £	12	94¼	95¼	−0¼	−1½	15.59
Swed. Ex. Cr. 13¾ 86 £	20	94⅛	95⅛	+1⅛	−1	15.33
Banobras 8¼ 90 KD	7	†90	90½	0	0	9.95
CCCE 8¼ 91 KD	10	†82¾	83¼	0	0	11.04
Sonatrach 8½ 90 KD	12	†93	93½	0	0	9.66
Akzo 9¾ 87 LuxFr	500	*85⅝	86⅝	0	−0¼	12.50
Euratom 9¾ 88 LuxFr	500	*87¼	88¼	0	−0⅛	12.56
Eurofima 10½ 87 LuxFr	500	*91½	92½	+0⅛	+0⅛	12.35
EIB 9¾ 88 LuxFr	600	*89½	90½	0	−0⅛	11.99
Volvo 9¾ 87 LuxFr	500	*86⅞	87⅞	0	0	12.76

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	99¼	99¾	2/7	16⅝	16.71
Bank of Montreal 5¼ 90	0¼	99⅜	99⅞	18/6	19½	19.57
Bank of Tokyo 5¼ 89	‡0½	98⅜	98⅞	25/7	16½	16.73
BBL Int. 5 86	0¼	99⅞	100⅜	20/11	18.31	18.29
BNP 5½ 88	‡0¼	98¾	99¼	29/7	16.44	16.60
CNT 5¼ 86	§0¼	99⅛	99⅝	16/10	16.81	16.92
Christiania Bk. 5½ 91	‡0¼	97½	98	5/8	17.31	17.71
Citicorp O/S F. 84	‡0	99¼	99¾	30/6	18⅞	18.99
C. Itoh 5¼ 87	0¼	98⅞	99⅜	18/9	16.44	15.61
Co-operative Bk. 6 86	0¼	99⅝	100⅛	15/11	19.56	19.59
Den Norske Credit 6 90	‡0¼	98⅜	98⅞	5/8	17.31	17.49
Genfinance 5¼ 87	0¼	98⅞	99⅜	30/10	16.94	17.09
Giro und Bank 5¼ 91	‡0¼	98¼	98¾	23/6	14.06	14.28
GZB 5½ 89	‡0¼	98¾	99¼	1/6	17.31	17.49
Ind. Bank Japan 5¼ 87	0¼	99⅛	99⅝	15/10	17.06	17.17
Ind. Bank Japan 5¼ 88	0¼	98⅞	99⅜	9/10	16.44	16.62
Lloyds Eurofin 8 90 £	0¼	97	97½	3/7	14½	14.91
Lloyds Eurofin 5¼ 92	0¼	98⅞	99⅜	4/12	17.44	17.64
LTCB Japan 5¼ 86	0¼	99⅝	100⅛	13/6	20.19	20.21
Man. Hanov. O/S 5¼ 94	‡0⅛	99⅜	99⅞	30/8	19.06	19.13
Merrill Lynch O/S 87	0¼	100⅜	100⅞	7/8	20.44	20.31
Midland Int. Fin. 5¼ 92	0¼	†98¾	99¼	5/12	17⅛	17.55
Midland Int. Fin. 9 91	0¼	98	98½	30/10	16.81	17.11
Nacional Fin. 6¼ 86	0¼	99	99½	25/7	17¼	17.88
Nacional Fin. 5½ 88	0¼	96¾	97¼	25/9	14⅞	15.34
Nat. Bk. Canada 5¼ 88	0¼	97¾	98¼	24/9	14½	14.80
Nat. West. 5¼ 94	§0¼	97⅞	98⅜	14/10	16.19	16.54
Nat. West. 5¼ 92	§0¼	97¾	98¼	23/10	16.81	17.16
Pemex 6 91	0¼	97	97½	8/10	15.31	15.75
Sparbanken 6 87	0¼	99	99½	19/6	19⅞	20.03
Standard Chart. 5¼ 90	0¼	98⅞	99⅜	3/9	17.06	17.26
Svenska Hndlsbk. 5 87	0¼	99⅜	99⅞	15/7	17.81	17.88

Average price changes... On day 0 on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	98⅞	99⅞	+0½	24.61
Canon 6¾ 95	1/81	829	160	161¼	+1	0.04
Credit Suisse 4¾ 93	10/79	1236	†80	82	+0½	−0.70
Digicon Fin. 8½ 95	10/81	29.5	102¼	104	−0½	4.43
Fujitsu 5½ 96	7/81	732	102¼	103¼	−0⅞	12.87
Hanson O/S Fin. 9½ 96	8/81	2.74	89¼	90¼	−1⅛	0.03
Ina Overseas 8¼ 2000	4/81	42	112¾	114¼	−0½	−0.69
Inchcape 8 95	2/81	4.55	78⅞	80½	+0⅛	−1.87
Kotobukiya Co. 7 96	4/81	619	†96¾	97¾	+0½	−0.57
Marion Int. Fin. 8 95	12/80	19.5	81½	83	+0¼	21.42
Matsushita El. 7½ 95	11/80	590	91¾	92¾	−4⅛	−1.12
NKK 6½ 96	7/81	188	102½	103½	−2½	8.68
Ricoh 6⅝ 95	8/80	604	123¾	125	+0⅛	−0.81
Sumitomo M. Ind. 7 95	2/81	181	138½	139½	−1⅛	−2.06
Swiss Bk. Cpn. 6⅛ 90	9/80	200	†72½	74½	+1	23.43
Taylor Woodrow 8¾ 90	1/81	4.94	92¼	93¼	−5	−1.23
Tokyu Land Con. 7¾ 96	4/81	325	100	101	+0⅛	14.83
Transco Int. 8¾ 95	2/81	68	82⅝	83⅞	+0⅛	31.65
Tricorp 8½ 95	12/80	31.25	82½	84	+0⅛	26.14
Union Bk. Switz. 5 89	2/80	70.79	†72½	74½	+1	5.36
Fujitsu 5 84 DM	7/79	431.5	*187⅛	188⅛	+0⅛	−1.79
Sharp Cpn. 6½ 88 DM	9/80	595	*182¼	183⅞	+0⅛	0.37
Uny Co. 6½ 85 DM	11/79	879.3	*117¼	118¼	−0½	−4.17

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Kuehne and Nagel in talks

By John Wicks in Zurich

A NUMBER of companies are currently negotiating for the purchase of a "substantial interest" in Kuehne and Nagel, the privately-controlled international freight transport group. A price tag of DM 90m to DM 120m (U.S.$50.8m) has been suggested for a 50 per cent stake in the company.

Lonrho, Mr. "Tiny" Rowland's UK-based trading group, refused yesterday to confirm or deny reports that it was among the suitors.

Kuehne and Nagel, whose central management is based in Switzerland, announced in February that divestment of *part of the capital might prove* necessary in order "to ensure the continuity of the group." This followed involvement by the Kuehne family in large-scale shipping operations outside the group, resulting in losses then put at some SWFr 90m ($42m).

Mr Klaus-Michael Kuehne, chief executive, said that since discussions were currently in progress with "several interested parties," no further details were being released.

Kuehne and Nagel is one of the world's leading forwarding agents with group turnover of around SwFr 2.86bn ($1.3bn) in 1979.

Overall management and co-ordination is in the hands of Kuehne and Nagel International AG of Pfaeffikon, Switzerland, which is the subject of the current negotiations.

Operations are run by three regional groups. These are Kuehne and Nagel Germany, with 1979 turnover of SwFr 1.33bn ($622m); Kuehne and Nage International, which covers business in Europe outside West Germany and Denmark, as well as in Asia, Australia and southern Africa, and had 1979 sales of SwFr 974m; and the British Virgin Islands-based Kuehne and Nagel Western Hemisphere Group, with 1979 turnover of SwFr 554m, in the UK the company has four subsidiaries and operations in seven locations.

It is understood that each of the three regional groups booked a net profit last year.

Canada broking merger likely

By Our Financial Staff

DOMINION SECURITIES and A. E. Ames, two of Canada's major investment dealers and brokers, are believed to be planning a merger which could lead to the creation of the largest securities dealing group in the country. In fiscal 1980, Dominion's shareholders' capital was valued at C$20.1m (U.S.$16m) and Ames' at C$14.1m.

Danish Cabinet meets over cash crisis at Burmeister

BY HILARY BARNES IN COPENHAGEN

DENMARK'S Cabinet Economic Committee was due to meet late yesterday to decide whether to approve a DKr 80m ($10.5m) export credit guarantee without which the Burmeister and Wain shipyard is in imminent danger of having to suspend payments to creditors.

On Sunday shop stewards and management signed a new agreement on productivity and overtime working and wage restraint which could provide the basis for normal working on the 14 bulk carriers which the Copenhagen yard has on order. Each carrier is of around 64,000 dwt.

Despite an agreement on more efficient working, the Danish Government last week refused to provide Burmeister with the export credit guarantee. However, the latest deal with the unions seems to impose the sort of tight working arrangements originally demanded by the Government.

Burmeister has to be in receipt of the credit by noon today or it will be unable to meet this week's wage costs.

The cash crisis has arisen because of a 20-day delay in completing work on one vessel. In a show of goodwill, however, workers have been putting in additional hours in order to accelerate both the ship's delivery date and the day on which the yard will receive payment.

Since the Burmeister parent company was declared bankrupt last autumn the shipyard has come under the aegis of the Government's Export Credit Council.

The yard currently boasts one of the largest order books among shipyards in Europe.

● Denmark's East Asiatic Company has taken over the Norwegian shipping company, Knutsen Line, which operates between the U.S. west coast, West Australia and the Far East. It has also acquired Bakker Steamship Agencies in the U.S. and Bakker Sime-Darby in Singapore in connection with the deal.

East Asiatic said that the move will enable it to provide an improved transpacific service, including a fully containerised service to Western Australia.

Ruhrgas makes strong advance

BY KEVIN DONE IN FRANKFURT

RUHRGAS, West Germany's leading natural gas importer and distributor, boosted turnover by 46 per cent last year to DM 9.12bn and pushed up after-tax profits by 56 per cent to DM 222.3m.

Ruhrgas shareholders, which include many of the leading oil companies, Deutsche BP, Shell, Esso, Texaco and Veba, as well as Ruhrkohle and two steel companies, Estel-Hoesch and Mannesmann, have had to be content with an unchanged dividend of DM 8.50 per share, however.

The company has taken the chance of strengthening its financial reserves with the transfer of DM 102.5m, compared with DM 36.8m in 1979, as a provision against "the growing risks of the international gas trade."

Turnover rose as a result of rising gas prices and Dr. Klaus Liesen, the chief executive, said he expected a rise of around 40 per cent this year. Profitability has kept pace as Ruhrgas has managed to pass on most of the rising gas prices.

The volume of gas sales rose, in contrast, by only 4 per cent to 424.6bn kwh (kilowatt hours). This increase was only made possible by one-off gas export deals with France, Austria and Switzerland.

Total volume sales by the West German gas industry fell by 2 per cent last year to 606bn kwh. Natural gas provided some 16.3 per cent of West German primary energy consumption.

Gas sales to industry and power stations fell by 8 per cent to 396bn kwh, chiefly as a result of falling economic activity. Deliveries to private households and small businesses rose by 13 per cent to 210 kwh, however, and the number of homes using gas for heating rose by some 400,000 to 5.4m.

With volume sales of 424.6bn kwh, Ruhrgas dominated the West German gas industry and its deliveries have increased dramatically in the past 10 years from 93.3bn kwh in 1970.

Last year some 21 per cent of its sales went directly to industry, 59 per cent to other West German gas distribution companies and around 20 per cent to local gas undertakings.

This year Ruhrgas expects volume sales to fall by about 4 per cent—because of the weak economy and energy conservation measures—after a decline of 6 per cent in the first five months. The price of imported gas has already risen by 48 per cent in the past 12 months, however, and with Ruhrgas planning further price increases later this year, cash sales should rise by around 40 per cent.

As the leading German gas group, Ruhrgas is heading negotiations with the Soviet Union, Norway and Nigeria to secure major new sources of supplies for the second half of the 1980s and for the 1990s.

At present West Germany imports about 70 per cent of its gas needs, with 30 per cent coming from domestic production. Of the total gas consumption, around 83 per cent comes from West European sources—domestic, Holland and Norway—with 17 per cent coming from the Soviet Union.

By contrast 96 per cent of West Germany's crude oil needs have to be met by imports, and around 80 per cent of the total comes from outside Europe.

Ruhrgas in Norwegian pipeline deal Page 3

Higher capital spending hits returns at Telefonica

BY ROBERT GRAHAM IN MADRID

TELEFONICA, Spain's national telephone monopoly, reports net profits of Pta 23.8bn ($260m), up 9 per cent on 1979. The increase, however, is almost half the growth recorded in each of the previous three years, and is well below the rate of inflation.

Telefonica's slowdown has been attributed to a sharp increase in investment at a time of high interest rates with the consequent burden of financial costs. During the year medium- and long-term debt increased 24 per cent to Pta 316bn, with $400m of borrowings abroad and Pta 28bn raised through domestic bonds.

The company, 53 per cent privately owned, made investments of Pta 115bn, up 24 per cent. Net cash flow improved on 1979 by 32 per cent to Pta 48bn—in part because of the Government conceding tariff increases. Telefonica has carried out an important reassessment of fixed assets, which added Pta 67bn to total reserves, now valued at Pta 316bn.

The annual report notes that the deep recession in the Spanish economy has been sharply reflected in Telefonica's activities.

Holderbank lifts earnings and dividend

By John Wicks in Zurich

AFTER a decade of maintained payments, Holderbank, the Swiss cement group, is to increase its dividend to SwFr 16 a share from SwFr 14.

At the net level profits for 1980 are 26 per cent higher at SwFr 180m ($85m), despite the depressed condition of the building trade in a number of operating countries which last year resulted in lower sales volume.

Group cash sales rose 11.5 per cent to SwFr 2.54bn as a result of higher prices and the weakening of the franc against the dollar and the rand.

Dr Max Schmidheiny, the chairman, said that profits in 1981 should be "at least as good" as those reported for last year. The group expects to maintain spending on capital account, with major new projects centred in Mexico, Brazil and Canada.

Holderbank "think it likely" that it will take up an option to acquire a majority stake in the Spanish company, Hornos Ibericos, in which it bought a minority shareholding in 1980.

Spanish railways losses mount

BY OUR MADRID CORRESPONDENT

RENFE, the Spanish state railways corporation reports losses for 1980 of Pta 64bn ($710m) compared with a Pta 46bn in the previous year. The sharp increase has been blamed on higher overheads, the growing cost of providing a public service, coupled with insufficient state funding, and a weak financial structure.

During 1980 Renfe electrified a further 228km of track, now covering 41 per cent of the railway network, and improvements were made in rolling stock.

INDUSTRY IN TURKEY

Yasar weathers the recession

BY METIN MUNIR IN ANKARA

YASAR HOLDING, one of the largest industrial groups in Turkey outside the public sector, achieved sharp growth in sales and earnings last year despite the harshness of its *domestic trading environment.*

In January 1980 the Government introduced the most radical and comprehensive economic austerity programme in the country's history. The programme — not unlike Britain's in philosophy and aim —was intended to bring about a *fundamental reorientation of* economic policy away from detailed government regulations towards greater reliance on market forces.

The aim of the authorities was to bring inflation under control, reduce the country's large balance of payments deficit and stimulate economic growth. Since 1977 these problems, together with a string of political crises, had brought the country to the brink of economic ruin.

The January measures destroyed the sellers paradise in which Turkish industry was accustomed to live, protected by high tariff barriers.

Almost overnight, like the other large groups, Yasar found itself in an entirely different trading environment. Demand *for its range of paint, fertiliser* and food products slumped, money became tight and the cost of short-term bank loans soared, rising to 70 per cent at one stage. "The first problem we had to overcome was the drop in sales and reduced cash flow," explains Mr Ali Nail Kubali, the group's American-educated deputy director.

Yasar reacted by cutting selling prices in its paint division (the group's largest trading arm), which reduced profit *margins by 30 per cent to 16* per cent. At the same time a paint marketing company was established, embracing all Yasar retailers which helped underpin sales.

More than 2,700 companies in Istanbul and Izmir have closed this year because of the severe recession affecting primarily small-scale industries and businesses. According to the *Turkish Chamber* of Commerce, a total of 1,966 companies in Istanbul have submitted petitions this year, declaring they can no longer continue operations. However, officially-registered bankruptcies yere "very few" because of the wait-and-see attitude adopted by companies in the light of the Government's moves to revitalise industry

"As a consequence," said Mr Kubali, "the paint division's turnover grew from Lira 274m in 1979 to Lira 819m ($82m) in 1980."

One other direction in which the Government's stringent economic measures pushed Yasar was towards exports. Traditionally Turkish manufacturers have looked upon exporting as a secondary line since they could sell virtually anything of any quality at any price on the captive home market. "We realise that the good old days are now over for good," says Mr Kubali.

Yasar has opened import offices in Frankfurt, Cairo and Abu Dhabi. Last year group exports grew from $3.2m in 1979 to $5m.

At present Yasar exports with "little or no consideration to profit making," but over the longer term it is optimistic on prospects. Group budgets suggest exports will rise to $15m in three years and to $50m by 1986.

Exporting, says Mr Kubali, has raised capacity utilisation and reduced losses on fixed expenditure. The Government's retention scheme has enabled Yasar to hold on to half of its foreign currency earnings to be used for import requirements.

Another effect of the Government's measures was to divert Yasar's manufacturing attention towards agricultural-based industries. It is investing $20m in an integrated meat processing complex near Izmir, the Aegean port, which will export $8m worth of packed meat to the Middle East from 1984. The company has three other agro-industry projects.

Last year Yasar's turnover went up from L6bn to L16bn ($160m) while profits improved to L2.4bn from L1.4bn. The result is one example of the dexterity of Turkish companies in adapting to changed trading conditions.

Air India deficit lower than expected

By R. C. Murthy in Bombay

AIR-INDIA has returned to profits with a surplus of Rs 13.8m ($1.6m) for the final four months of the year to end March 1981. And with this improved performance, the loss for the year will be only Rs 212.5m against the budgeted Rs 380m, says Mr. Raghu Raj, the chairman.

India's national carrier had projected a profit of Rs 15m for 1981-82 but the company is now optimistic of exceeding the forecast because of the steady improvement in its operations.

Air-India has re-organised its route pattern putting the emphasis on remunerative services and has established specific financial targets for each operating area.

The airline has budgeted for a 26 per cent rise in total revenue from Rs 5.08bn to Rs 6.35bn for 1981-82 assuming no rise in fuel prices in the next nine months. Last year revenue rose by 28.4 per cent but this was offset by fuel price increases.

Counter-bid by Kirsh for AA Mutual

By Jim Jones in Johannesburg

KIRSH INDUSTRIES, the South African group with interests in wholesaling, insurance, and wine retailing, has made a counter-bid for AA Mutual, the short- and long-term insurer. The bid price has not been disclosed.

Two weeks ago it was announced that Mutual and Federal, the short-term insurance arm of the Old Mutual, the country's largest insurance company, was negotiating to acquire AA Mutual's short-term operations, which have net assets of about R70m ($80m).

No datails were given of the price of Mutual and Federal's bid but Kirsh says the proposed break-up of AA Mutual has caused anxiety among the company's staff and Kirsh is offering a deal which will ensure that AA Mutual remains intact.

It is proposed that if Kirsh acquires control of AA Mutual, Kirsh's 75 per cent-owned subsidiary, Constantia Insurance will be merged with it to form a company with an annual premium income of about R130m.

Japanese companies look for upturn in second half

BY OUR FINANCIAL STAFF

A SHARP fall in the earnings of Japanese companies in general in the first half of the current financial year is likely to be followed by a slightly sharper rise in the second half, to March 31, 1982, according to a survey by Nihon Keizai Shimbun, the Japanese economic daily.

A survey of 856 companies listed on Japan's eight stock exchanges, excluding banks, finance houses, and insurance companies, indicated that they expected an average fall of 30.6 per cent in profits before tax and special items in the six months to end-September, from the level in the same period of 1979-81. Earnings on this basis in the second half, however, were expected to be up by 27.4 per cent on the year-earlier period.

The main cause of the fall in first-half earnings is said to be the rise in oil prices, which has affected the electric power companies in particular. Earnings with the power companies excluded are expected to fall 6.6 per cent in the current half.

The increase foreseen in the second half will stem, the survey suggests, from industry completing inventory adjustments, with domestic commodity prices rising and with the economy recovering.

Of the 18 main industry categories, only three are expected to report a profit decline in the second half.

Behind the strong earnings performance expected will be the effect of the three official discount rate reductions since last August, bringing the rate to 6.25 per cent a year, which will cut corporate interest burdens. As inflation subsides, according to the survey, personal spending will pick up while public works projects will strengthen the construction and related industries.

Exports are, in addition, expected to remain brisk, though the recent Japanese Government decision to curb motor vehicle shipments to the U.S. and Canada may serve to brake export growth.

In the second half, sales are seen growing at an average pace of 7.4 per cent for the entire industry, the fastest pace since the second oil crisis slowed down the economy around 1979, according to the survey.

POWER GROUPS IN JAPAN

Exchange gains boost earnings

BY YOKO SHIBATA IN TOKYO

COMBINED OPERATING profits of Japan's nine electric power companies recovered to a record Y1.081bn ($4.74bn) in the year to March 31, from the previous year's deficit.

Nuclear power stations, higher flow rates at hydro power stations and profits on exchange movements, as well as the higher charges introduced in April last year, made for the gains.

Electric power sales were affected by the cold summer, the economic slowdown, and energy saving efforts, and declined by 1.1 per cent from 1979-80. But an increase in charges, averaging 50.21 per cent, pushed total revenaes by nearly 50 per cent.

All the companies except Hokkaido Electric Power posted record operating profits, with most of the improvement attributed to exchange gains.

When the nine companies applied for permission to increase their rates in April last year, the Ministry of International Trade and Industry assessed the yen exchange rate at Y242 to the dollar. In the event the rate averaged Y218 and the nine companies made gains totalling as much as Y230bn. However, the companies plan to add the gains to internal reserves, rather than cutting consumer prices as they did in 1977-78.

Higher flow rates at hydro stations helped to lessen the companies' dependence on the more expensive oil. An increase in the capacity of nuclear power stations, which are high in construction costs but far cheaper in raw material costs, helped earnings improve.

The eight companies other than Hokkaido have resumed the payment of a Y50 annual dividend with Hokkaido paying Y40.

In the current year the nine companies expect higher fuel and capital costs and earnings setbacks are thought inevitable. However, because of the favourable 1980-81 earnings the eight other than Hokkaido will freeze their prices for the year and plan to maintain their dividends at Y50.

RESULTS FOR 1980-81

	Sales Ybn	Change %	Operating profits Ybn	Change %	Net profits Ybn	Change %	Exchange gains Ybn
Tokyo	3,135	+54.0	274.6	†	129.8	†	78.0
Kansai	1,771	+44.9	221.5	†	95.7	†	48.8
Chubu	1,495	+50.0	168.5	†	89.9	†	44.1
Kyushu	912	+49.0	110.0	†	46.0	†	17.1
Tohoku	944	+57.0	111.8	†	49.5	†	19.5
Chugoku	786	+64.3	82.2	†	40.8	†	13.0
Shikohu	372	+50.1	46.3	+ 9.9	19.2	+22.3	5.0
Hokkaido	340	+36.8	13.9	+23.9	7.4	+13.6	—
Hokuriku	325	+46.8	51.2	†	22.7	†	5.4

† Loss last time

Philippines in $72m rescue plan for CDCP

By Emilia Tagaza in Manila

THE Philippines Government is to provide 550m pesos ($72m) as part of a plan to prevent the financial collapse of the country's, and south east Asia's, largest construction company, Construction and Development Corporation of the Philippines (CDCP).

Under the rescue plan, the state-owned National Development Company (NDC) will inject 250m pesos in fresh working capital, while the central bank will extend 300m pesos in concessional loans.

Mr Rodolfo Cuenca, the CDCP president, said that NDC's stake represents 30 per cent of the company's equity and that foreign shareholdings would remain at 10 per cent.

NDC's move makes the Philippines government the single largest shareholder in CDCP.

Mr Cuenca also said that the 300m peso loan from the central bank, which will be channelled through the Philippine National Bank, will be used to retire CDCP commercial paper.

CDCP's liquidity problem surfaced early this year, after a financial scandal which triggered heavy withdrawals of investments from the capital market. Mr. Dewey Dee, the Filipino-Chinese banker-industrialist left the Philippines last January, with commitments of roughly $92m in personal and corporate debts. The financial market contracted considerably, touching off a scramble for funds by corporate borrowers.

Mr Cuenca said that the loan from the central bank would redeem commercial paper and would "render liquid the financial position of about ten to 12 financing institutions which have supported CDCP's short-term borrowing in the past."

CDCP's total debts run up to 2.6bn pesos ($342m), mostly short-term and attracting high interest. The company's interest charges consumed the equivalent of $25m of its $284m gross income last year.

Despite the financial problems, CDCP achieved a net profit of 117m pesos ($15m) last year, though this was 31 per cent less than the net income of 1979. Income from construction activities reached $210m, about 60 per cent of which were from foreign contracts.

CDCP's on-going overseas construction projects are worth $679m, mostly in Saudi Arabia.

CURRENCIES, MONEY and GOLD

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 8, 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rates. (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	112.50
Albania	Lek	9.75
Algeria	Dinar	8.1235
Andorra	French Franc	11.0125
	Spanish Peseta	184.85
Angola	Kwanza	(CM) 56.23 (T) 58.55
Antigua (S)	E. Caribbean $	5.25
Argentina	Ar. Peso Free Rate	8,356.0
Australia (S)	Australian $	1.7240
Austria	Schilling	32.975
Azores	Portugu'se Escudo	123.35
Bahamas (S)	Ba. Dollar	1.9418
Bahrain (S)	Dinar	0.724
Balearic Isles	Spa. Peseta	184.85
Bangladesh (S)	Taka	36.35
Barbados (S)	Babados $††	3.8820
Belgium	B. Franc	(cm) 76.10 (fn) 77.65
Belize	B $	3.8820
Benin	C.F.A. Franc	550.625
Bermuda (S)	Bda $	1.9410
Bhutan	Indian Rupee	16.76
Bolivia	Bolivian Peso	48.00
Botswana (S)	Pula	1.6325
Brazil	Cruzeiro ‡‡	170.78
Brit. Virgin Isles (S)	U.S. $	1.9410
Brunei (S)	Brunei $	4.19
Bulgaria	Lev	1.9310
Burma	Kyat	12.90
Burundi	Burundi Franc	185.77
CameroonRepublic	C.F.A. Franc	550.625
Canada	Canadian $	2.3405
Canary Islands	Spanish Peseta	184.85
Cape Verde Isle	Cape V. Escudo	70.85
Cayman Islands (S)	Cay. Is. $	1.6175
Cent. Af. Repub.	C.F.A. Franc	550.625
Chad	C.F.A. Franc	550.625
Chile	C. Peso	(Bk)75.75
China	Renminbi Yuan	3.4099
Colombia	C. Peso	(F) 104.13
Comoro Islands	C.F.A. Franc	550.625
Congo (Brazaville)	C.F.A. Franc	550.625
Costa Rica	Colon	33.05
Cuba	Cuban Peso	1.4185
Cyprus (S)	Cyprus £	0.849
Czechoslovakia	Koruna	(com) 12.50 n/c 21.42 (T)2 0.83
Denmark	Danish Krone	14.69
Djibouti	Fr.	325 (sg)
Dominica (S)	E. Caribbean $	5.25
Dominican Repub.	Dominican Peso	1.9410
Ecuador	Sucre	(O) 48.41 (F) 59.05
Egypt	Egyptian £	(U) 1.38
Equatorial Guinea	Ekuele	369.7
Ethiopia	Ethiopian Birr	(P) 3.9150
Falkland Islands(S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	14.69
Fiji Islands	Fiji $	1.6950
Finland	Markka	8.7225
France	French Franc	11.0125
FrenchC'tyin Af*	C.F.A. Franc	550.625
French Guiana	Local Franc	11.0125
French Pacific Is.	C.F.P. Franc	190 (sg)
Gabon	C.F.A. Franc	550.625
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.6750
Germany (West)	Deutsche Mark	4.6750
Ghana (S)	Cedi	5.63
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	113.179

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Greenland	Danish Kroner	14.69
Grenada (S)	E. Caribbean $	5.25
Guadaloupe	Local Franc	11.0125
Guam	U.S. $	1.9410
Guatemala	Quetzal	1.9410
Guinea Republic	Syli	41.25
Guinea Bissau	Peso	73.50
Guyana (S)	Guyanese $	4.9495
Haiti	Gourd	9.7050
Honduras Repub.	Lempira	3.90
Hong Kong (S)	H.K. $	10.73
Hungary	Forint	(com) 72.41 (T)(nc) 65.23
Iceland (S)	I. Krona	14.241(§)
India (S)	Ind. Rupee	16.76
Indonesia	Rupiah	1,220.25
Iran	Rial	155.25(sg)
Iraq	Iraq Dinar	055.78
Irish Republic (k)	Irish £	1.27525
Israel	Shekel	22.15
Italy	Lira	2,340.0
Ivory Coast	C.F.A. Franc	550.625
Jamaica (S)	Jamaica Dollar	3.4615
Japan	Yen	443.0
Jordan (S)	Jordan Dinar	0.640(sg)
Kampuchea	Riel	2,592.2
Kenya (S)	Kenya Shilling	16.97
Kiribati	Australian $.	1.7240
Korea (Nth)	Won	2.06(II)
Korea (Sth)	Won	1,338.50
Kuwait	Kuwait Dinar	0.541
Laos	New Kip	19.41
Lebanon	Lebanese £	8.0705
Lesotho	Loti	1.6945
Liberia	Liberian $	1.9410
Libya	Libyan Dinar	0.5746
Liechtenstein	Swiss Franc	4.125
Luxembourg	Lux Franc	76.10
Macao	Pataca	11.05
Madeira	Portug'se Escudo	123.35
Malagasy Republic	MG Franc	550.625
Malawi (S)	Kwacha	1.7720
Malaysia (S)	Ringgit	4.59
Maldive Islands (S)	Mal Rupee	7.65
Mali Republic	Mali Franc	1,101.25
Malta (S)	Maltese £	0.753
Martinique	Local Franc	11.0125
Mauritania	Ouguiya ‡	108.70
Mauritius (S)	M. Rupee	16.70
Mexico	Mexican Peso	47.11
Miquelon	C.F.A. Franc	550.625
Monaco	French Franc	11.0125
Mongolia	Tugrik	(o)6.86(II)
Montserrat	E. Caribbean $	5.25
Morocco	Dirham	10.60(sg)
Mozambique	Metical	56.80
Nauru	Australian Dollar	1.7240
Nepal	Nepalese Rupee	23.30
Netherlands	Guilder	5.2150
NetherlandAntilles	Antillian Guilder	3.4743
New Zealand (S)	N. Z. Dollar	2.2790
Nicaragua	Cordoba	19.42
Niger Republic	C. F. A. Franc	550.625
Nigeria (S)	Naira	1.267479(sg)
Norway	Norway Krone	11.555
Oman Sul'ate of(S)	Rial Omani	0.663
Pakistan	Pakistan Rupee.	18.86
Panama	Balboa	1.9410
Papua N.Guinea(S)	Kina	1.3400
Paraguay	Guarani	244.75

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Peru	Sol	exe (A) 811.68
Philippines	Philippine Peso	14.85
Pitcairn Islands (S)	£ Sterling	—
	New Zealand $	2.2790
Poland	Zloty	(Cm)70.22 (T)70.22
Portugal	Portugu'se Escudo	123.35
Puerto Rico	U.S. $	1.9410
Qatar (S)	Qatar Ryal	6.99
Reunion Ile de la	French Franc	11.0125
Romania	Leu	(Cm)9.71 (n/c) 23.90
Rwanda	Rwanda Franc	192.37
St. Christopher (S)	E. Caribbean $	5.25
St. Helena	St. Helena £	1.0
S. Lucia	E. Caribbean $	5.25
St. Pierre	Local Franc	11.0125
S. Vincent (S)	E. Caribbean $	5.25
Salvador El	Colon	4.86
Samoa American	U.S. $	1.9410
San Marino	Italian Lira	2,340.0
Sao T'oe&Principe	Dobra	75.60
Saudi Arabia	Ryal	6.53
Senegal	C.F.A. Franc	550.625
Seychelles	S. Rupee	12.05(sg)
Sierra Leone (S)	Leone	2.3155
Singapore (S)	Singapore $	4.19
Solomon Islands(S)	Solomon Is. $	1.7295
Somali Republic	Somali Shilling	(A)12.20
South Africa (S)	Rand	1.6945
South West African Territories (S)	S. A. Rand	1.6945
Spain	Peseta	184.85
Spanish ports in North Africa	Peseta	184.85
Sri Lanka (S)	S. L. Rupee	35.22
Sudan Republic	Sudan £ (1)	0.97
Sudan Republic	Sudan £ (2)	1.55
Surinam	S. Guilder	3.4743
Swaziland (S)	Lilangeni	1.6945
Sweden	S. Krona	9.855
Switzerland	Swiss Franc	4.125
Syria	Syria £	(A)7.60
Taiwan	New Taiwan $	69.90
Tanzania (S)	Tan. Shilling	16.30
Thailand	Baht	40.02
Togo Republic	C.F.A. Franc	550.625
Tonga Islands (S)	Ha'anga	1.7240
Trinidad (S)	Trinidad & Tob. $	4.6584
Tunisia	Tunisian Dinar	1.0525(sg)
Turkey	Turkish Lira	206.12
Turks & Caicos	U.S. $	1.9410
Tuvalu	Australian $	1.7240
Uganda (S)	Uganda Shilling	150.35
United States	U.S. Dollar	1.9410
Uruguay	Uruguay Peso	(cm)20.72 (fn)20.70
Utd.Arab Emirates	U.A.E. Dirham	7.05
U.S.S.R.	Rouble	1.5377
Upper Volta	C.F.A Franc	550.625
Vanuatu	Vatu	165(sg)
	Aust. Dollar	1.7240
Vatican	Italian Lire	2,340.0
Venezuela	Bolivar	8.34
Vietnam	Dong	(O)4.2290 (T)5.04(11)
Virgin Islands U.S.	U.S. Dollar	1.9410
Western Samoa S.	Samoan Tala	1.9630
Yemen (Nth)	Ryal	8.69(sg)
Yemen (Sth)	S. Yemen Dinar	(A)0.6625
Yugoslavia	New Y Dinar	72.8362
Zaire Republic	Zaire	6.415250
Zambia	Kwacha	1.7220
Zimbabwe	Zimbabwe $	1.3570

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 81.50. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados $ to the dollar. ‡‡Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (‖) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports. § One new Krona=100 old Kronur.

UK MONEY MARKET

Bank of England Minimum Lending Rate 12 per cent (from March 10 1981)

Interest rates continued to show a firmer tendency in London yesterday, reflecting the current weakness of sterling and fears that the authorities may increase MLR although this latter view was clearly not held by everyone in the market. At the short end rates were steady as liquidity levels remained relatively high. The Bank of England bought a small amount of eligible bank bills direct from the discount houses but the latter were paying around 10 per cent for secured money for much of the day with small amounts taken as low as 8½ per cent.

The market was faced with a small net take up of Treasury bills to finance and banks brought forward balances a small way below target. On the other hand there was a small decrease in the note circulation.

In the interbank market overnight loans opened at 10½-11 per per cent and eased to 9½-10 per cent late morning. Rates came back later to touch 10½-11 per cent again but eased towards the close to 8½-9 per cent.

In New York interest rates fell back after last Friday's U.S. money supply figures as the rise was considerably lower than expected. In London longer term Euro-dollar rates were down by as much as three quarters of a point.

EXCHANGES AND BULLION

Trading was restricted in currency markets yesterday by the closure of most European centres for Whitsun. In London sterling recovered some of the ground lost last week with renewed interest developing at these new lower levels. There was also speculation that MLR may be increased. The U.S. dollar eased back in line with a softer trend in Euro-dollar rates as last Friday's U.S. money supply figures showed a smaller rise than expected.

Sterling's trade weighted index rose to 94.7 from 93.8, having stood at 93.7 in the morning and 94.6 at noon. Against the dollar the pound opened at $1.9130-1.9160 and touched a best level of $1.9550 before closing at $1.9405-1.9415, a rise of 1.2c from Friday. The pound rose against European currencies, finishing at DM 4.6750 against the Deutsche Mark from DM 4.6475 and FFr 11.0125 against FFr 10.9950.

The dollar tended to ease during the morning and the trend was accelerated as New York entered the market as net sellers. Against the Deutsche Mark it closed at DM 2.4075 compared with DM 2.4095 on Friday and SwFr 2.1250 from SwFr 2.1370. It was firmer against the yen however at Y228.10 from Y227.80 but fell against the French franc to FFr 5.6750 from FFr 5.7050. The dollar's index fell to 109.6 from 110.2.

Gold rose $11 an ounce in the bullion market to $471-474, partly on renewed tension in Poland and the Middle East.

THE POUND SPOT AND FORWARD

June 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.9130-1.9550	1.9405-1.9415	1.15-1.25c dis	−7.42	2.22-2.32dis	−4.68
Canada	2.3130-2.3550	2.3400-2.3410	1.65-1.75c dis	−8.72	3.45-3.60dis	−6.02
Nethlnd.	5.16-5.26	5.21-5.22	½c pm-½ dis	—	1¼-¾ pm	0.96
Belgium	75.80-76.50	76.05-76.15	27-37c dis	−5.05	70-80 dis	−3.94
Denmark	14.63-14.77	14.68-14.70	4½-6ore dis	−4.29	13½-15 dis	−3.88
Ireland	1.2730-1.2905	1.2745-1.2760	0.22-0.35p dis	−2.68	0.77-0.92dis	−2.65
W. Ger.	4.64-4.69	4.67-4.68	¼pf pm-¼ dis	—	⅞-½ pm	0.53
Portugal	122.00-124.00	123.20-123.50	70-140c dis	−10.21	140-305 dis	−7.22
Spain	183.70-186.00	184.70-185.00	125-160c dis	−9.25	280-325 dis	−6.55
Italy	2,316-2,353	2,339-2,341	19-21lire dis	−10.26	51½-54½ dis	−9.06
Norway	11.44-11.62	11.54½-11.56½	¼-1½ore dis	−0.84	¾-2 dis	−0.48
France	10.98-11.04	11.00¾-11.01¾	15¾-16¾c dis	−17.16	31½-33 dis	−11.71
Sweden	9.83-9.90	9.84½-9.86½	2⅞-3⅞ore dis	−4.11	7½-8½ dis	−3.25
Japan	435-445	442½-443½	2.05-1.70y pm	5.08	6.55-6.15 pm	5.73
Austria	32.70-33.20	32.96-33.00	6-1gro pm	1.27	18-7 pm	1.52
Switz.	4.11-4.17	4.12-4.13	1½-1¼c pm	2.18	2¾-1¾ pm	2.18

Belgian rate is for convertible francs. Financial franc 77.60-77.70. Six-month forward dollar 2.93-3.03c dis. 12-month 4.45-4.55c dis.

THE DOLLAR SPOT AND FORWARD

June 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9130-1.9550	1.9405-1.9415	1.15-1.25c dis	−7.42	2.22-2.32dis	−4.68
Ireland†	1.5060-1.5240	1.5160-1.5200	0.55-0.65c dis	−4.73	0.70-0.80dis	−1.97
Canada	1.2040-1.2071	1.2055-1.2060	0.12-0.17c dis	−1.44	0.40-0.45dis	−1.41
Nethlnd.	2.5800-2.6945	2.6800-2.6950	1.75-1.65c pm	7.80	3.80-3.65 pm	5.55
Belgium	39.20-39.52	39.20-39.22	10-8c pm	2.76	10-6 pm	0.82
Denmark	7.5400-7.6250	7.5400-7.5500	1.90-1.40ore pm	2.52	2.40-1.90 pm	1.14
W. Ger.	2.3950-2.4250	2.4070-2.4080	1.48-1.43pf pm	7.25	3.08-2.98 pm	5.02
Portugal	63.40-63.65	63.45-63.65	par-30c dis	−2.83	par-80 dis	−2.52
Spain	95.00-95.75	95.25-95.30	15-30c dis	−2.83	50-70 dis	−2.52
Italy	1,204-1,206	1,204½-1,205½	2.4-3.0lire dis	−2.69	12.5-14.0dis	−4.40
Norway	5.9500-5.9800	5.9500-5.9600	3.20-2.70ore pm	5.94	7.20-6.70 pm	4.67
France	5.6600-5.7300	5.6725-5.6775	4-7c dis	−11.61	9-12 dis	−7.39
Sweden	5.0600-5.1300	5.0600-5.0700	1.60-1.40ore pm	3.55	2.90-2.70 pm	2.21
Japan	226.75-228.50	228.05-228.15	2.40-2.30y pm	12.36	5.90-5.80 pm	10.26
Austria	16.97-17.14	16.98-17.01	13.20-11.80gro pm	8.83	28.50-24.50pm	6.24
Switz.	2.1070-2.1450	2.1245-2.1255	1.78-1.68c pm	9.77	3.85-3.75 pm	7.15

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

EXCHANGE CROSS RATES

June 8	PoundSterling	U.S. Dollar	Deutschem'k	Japan'se Yen	FrenchFranc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.941	4.675	443.0	11.015	4.125	5.215	2340.	2.341	76.10
U.S. Dollar	0.515	1.	2.409	228.2	5.674	2.125	2.687	1206.	1.206	39.21
Deutschemark	0.214	0.415	1.	94.76	2.356	0.882	1.116	500.5	0.501	16.28
Japanese Yen 1 000	2.257	4.381	10.55	1000.	24.86	9.312	11.77	5282.	5.283	171.8
French Franc 10	0.908	1.763	4.245	402.3	10.	3.746	4.736	2125.	2.125	69.10
Swiss Franc	0.242	0.471	1.133	107.4	2.670	1.	1.264	567.3	0.567	18.45
Dutch Guilder	0.192	0.372	0.896	84.95	2.112	0.791	1.	448.7	0.449	14.59
Italian Lira 1,000	0.427	0.829	1.998	189.3	4.706	1.763	2.229	1000.	1.000	32.52
Canadian Dollar	0.427	0.829	1.997	189.3	4.705	1.762	2.228	999.8	1.	32.51
Belgian Franc 100	1.314	2.551	6.143	582.1	14.47	5.420	6.853	3075.	3.076	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 8)

3 months U.S. dollars		6 months U.S. dollars	
bid 17 15/16	offer 17 15/16	bid 16 15/16	offer 16 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

June 8 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight	—	8½-11	10	—	—	10½	8½-10½	—	—	—
2 days notice	—	—	11¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	10¾-11	11¾-11⅞	—	12	11⅛	10-10½	—	—	—
One month	12⅛-12	12 1/16-12¼	12	13⅝-13	12 7/16	13	11⅛	12¼-12⅛	12-12 1/16	13¾
Two months	12⅝-12⅛	12⅝-12½	—	13⅝-13¼	13	12½	12	12½	12⅝-12 7/16	13
Three months	13-12 15/16	13⅛-13½	13	13⅝-13⅝	13 5/16	13⅛	12⅛	12⅛	12⅝-12 11/16	13⅛
Six months	13 7/16-13 5/16	13 7/16-13⅜	13¼	13¾-13⅝	13 11/16	13⅞	—	—	12⅝	13
Nine months	13⅛-13⅝	13 7/16-13 9/16	—	14-13⅝	13⅞	13⅞	—	—	—	—
One year	13⅝-13⅛	13⅛-13¾	13⅛	13⅞-13⅝	13⅞	14	—	—	—	—
Two years	—	—	13¾	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 14 per cent; four years 14 per cent; five years 14 per cent. Φ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅝-12 21/32 per cent; four-months trade bills 13⅛ per cent.

Approximate selling rate for one-month Treasury bills 12¼-12⅛ per cent; two-months 12⅛-12⅛ per cent; three-months 12⅛ per cent. Approximate selling rate for one-month bank bills 11 13/16-11 15/16 per cent; two-months 12¼-12 5/16 per cent; three-months 12½-12 7/16 per cent; one-month trade bills 12½ per cent; two-months 12¾ per cent and three-months 12⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12½ per cent from June 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 12.4376 per cent.

MONEY RATES

NEW YORK

Prime Rate	20-20½
Fed. Fund	18½-18¾
Treasury Bills (13-week)	15.05
Treasury Bills (26-week)	14.10

GERMANY

Special Lombard	12.00
Overnight Rate	11.95
One month	12.85
Three months	13.225
Six months	13.30

FRANCE

Intervention Rate	22
Overnight Rate	20
One month	—
Three month	—
Six months	—

JAPAN

Discount Rate	6.25
Call (Unconditional)	7.0625
Bill Discount (three-month)	7.46875

EURO-CURRENCY INTEREST RATES (Market closingRates)

June 8	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	10-10½	18½-18¾	—	11⅜-11⅝	4¾-5¼	11¼-11½	20-24	19-21	14-16	6¼-6¾
7 days' notice	11 11½	18⅝-18⅞	20-22	11⅝-11⅞	5½-6	11½-11¾	28¼-29½	20-22	14-16	6⅝-6⅞
Month	12⅛-12⅜	19¼-19½	19½-19⅞	12 1/16-12 3/16	9 11/16-9 13/16	12⅛-12¼	29½-30½	22-23	16¾-17½	7⅛-7⅜
Three months	13¼ 13½	17⅝-17⅞	19-19⅜	12 5/16-12 7/16	10½-10⅝	12 11/16-12 13/16	25-26	22-22¾	17-17¾	7 7/16-7 9/16
Six months	13⅝-13¾	16¾-17	17⅞-18¼	12⅜-12⅛	10½-10⅝	12 13/16-12 15/16	22-23	21¾-22½	16¾-17½	7 11/16-7 13/16
One Year	13⅝-13⅞	16⅛ 16⅜	17-17⅜	12⅜-12½	9 7/16-9 9/16	12⅞-13	20-21	21½-22¼	16-16¾	8⅜-8⅝

SDR linked deposits: one-month 17⅛-17½ per cent; three-months 15⅞-16¼ per cent; six-months 15 13/16-15 15/16 per cent; one-year 14 13/16-15 1/16 per cent.

ECU linked deposits: one-month 16⅞-17¼ per cent; three-months 16⅛-16⅜ per cent; six-months 15¾-16⅛ per cent; one-year 15⅛-15½ per cent.

Asian $ (closing rates in Singapore): one-month 19¾-19⅞ per cent; three-months 17⅝-17⅞ per cent; six-months 16¾-16⅞ per cent; one-year 16⅛-16⅜ per cent. Long-term Eurodollar two years 16-16⅛ per cent; three-years 15⅞-16⅛ per cent; four years 15⅞-16⅛ per cent; five-years 15⅞-16⅛ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 18.35-18.45 per cent; three-months 17.30-17.40 per cent; six-months 16.35-16.45 per cent; one-year 15.80-15.90 per cent.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.3493	+1.35	+1.35	±1.5361
Danish Krone	7.91917	7.98189	+0.79	+0.79	±1.6413
German D-Mark	2.54502	2.53259	−0.49	−0.49	±1.1386
French Franc	5.99526	6.00092	+0.09	+0.09	±1.3638
Dutch Guilder	2.81318	2.81846	+0.19	+0.19	±1.5159
Irish Punt	0.685145	0.692893	+1.13	+1.13	±1.6698
Italian Lira	1262.92	1262.64	−0.02	−0.02	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

June 8	£	$		£ Note Rates
Argentina Peso	8346-8366	4297-4302	Austria	32.70-33.05
Australia Dollar	1.7220-1.7260	0.8875-0.8880	Belgium	77.00-78.00
Brazil Cruzeiro	170.28-171.28	87.70-88.14	Denmark	14.57-14.72
Finland Markka	8.707-8.738	4.5100-4.5120	France	10.98-11.08
Greek Drachma	111.748-114.610	58.95-59.05	Germany	4.67-4.71
Hong Kong Dollar	10.72-10.74	5.5275-5.5325	Italy	2280-2330
Iran Rial	155.25*	80.50*	Japan	438-444
Kuwait Dinar(KD)	0.538-0.544	0.2813-0.2816	Netherlands	6.18-5.21
Luxembourg Frc.	76.05-76.15	39.20-39.22	Norway	11.50-11.62
Malaysia Dollar	4.5850-4.5950	2.3635-2.3685	Portugal	118-128
New Zealand Dlr	2.2770-2.2810	1.1725-1.1735	Spain	177½-188½
Saudi Arab. Riyal	6.50-6.56	3.4005-3.4035	Sweden	9.79-9.89
Singapore Dollar	4.1850-4.1950	2.1580-2.1610	Switzerland	4.12-4.16
Sth African Rand	1.6935-1.6955	0.8725-0.8735	United States	1.93⅛-1.95
U.A.E. Dirham	7.02-7.08	3.6720-3.6760	Yugoslavia	73-83

Rate given for Argentina is free rate. * Selling rate.

GOLD

	June 8		June 5	
Gold Bullion (fine ounce)				
Close	$471-474	(£242-244¼)	$460-463	(£239½-241)
Opening	$455-458	(£237-238½)	$461-464	(£237¾-239¼)
Morning fixing	$460	(£236.219)	$460.25	(£237.610)
Afternoon fixing	$473.50	(£243.633)	$460	(£240.334)
Gold Coins				
Krugerrand	$486-487	(£250½-251)	$474½-475½	(£247¾-248¼)
1/2 Krugerrand	$250¾-251¾	(£129½-129¾)	$244½-245½	(£127¾-128¼)
1/4 Krugerand	$128¾-129¾	(£66½-67)	$124½-126½	(£65-65½)
1/10 Krugerrand	$52¼-53¼	(£27-27½)	$51-52	(£26½-27)
Mapleleaf	$477-479	(£246-247)	$466-468	(£243¼-244¼)
New Sovereigns	$118¼-119	(£61-61½)	$115½-116¼	(£60¼-60¾)
King Sovereigns	$125-127	(£64½-65½)	$125-127	(£65-66)
Victoria Sovs	$125-127	(£64½-65½)	$125-127	(£65-66)
French 20s	$121-127	(£62½-65½)	$119-124	(£62-64¾)
50 pesos Mexico	$585-591	(£301¾-304¾)	$572-579	(£298¾-302¼)
100 Cor. Austria	$452-458	(£233-236¼)	$443-449	(£231¼-234½)
$20 Eagles	$580-585	(£299-301¾)	$572-576	(£298½-300¾)

CURRENCY MOVEMENTS

June 8	Bank of England Index	Morgan Guaranty Changes%
Sterling	94.7	−39.8
U.S. dollar	109.6	+3.1
Canadian dollar	87.8	−17.5
Austrian schilling	111.2	+20.6
Belgian franc	105.5	+9.2
Danish kroner	85.4	−12.5
Deutsche mark	116.4	+38.4
Swiss franc	132.8	+78.6
Guilder	107.6	+13.6
French frank	85.4	−10.9
Lira	57.0	−56.1
Yen	141.7	+35.7

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 5	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.593825	0.541009
U.S. $	14	1.14400	1.04523
Canadian $	19.10	1.38081	1.26389
Austria Sch.	6¾	19.6574	17.9466
Belgium F.	13	45.3167	41.3493
Danish K.	11	—	7.98189
D mark	7½	2.77477	2.53259
Guilder	9	3.08994	2.8184
French Fr.	9½	6.57686	6.00092
Lira	19	1381.96	1262.64
Yen	6¼	259.802	238.490
Norwgn. Kr.	9	6.86400	6.25870
Spanish Pts.	8	109.952	100.551
Swedish Kr.	12	5.87675	5.35785
Swiss Fr.	6	2.46446	2.25784
Greek Dr'ce.	20½	—	61.9654

CBI Northern Ireland director

Mr Richard Gordon has been appointed director of CBI NORTHERN IRELAND. He takes up his duties later in the summer. Mr Gordon was assistant director with CBI Northern Ireland from 1977 to 1979 when he left to join the Northern Ireland Development Agency. He was later appointed managing director of TMX Systems, the high-technology electronics firm.

★

Mr Ronald J. Griffiths has been appointed managing director of FLENDER (UK), of Bradford. Mr Griffiths was a consultant to Flender in SE Asia when he was operating his own engineering concern in Sydney, Australia.

★

Mr David Dance, station manager at Drakelow power station since 1978, has been appointed a power station group manager in midlands region of the CENTRAL ELECTRICITY GENERATING BOARD from July 1.

★

Mrs Anne Harris has been elected chairman of the NATIONAL FEDERATION OF WOMEN'S INSTITUTES.

★

Professor Ronald Davie, at present Professor of Educational Psychology at University College Cardiff, is to succeed Dr Mia Kellmer Pringle as director of the NATIONAL CHILDREN'S BUREAU. He will take up his appointment in January 1982.

★

Mr John Leggatt of Garvie and Syme has been elected chairman of THE INSTITUTE OF ARCITECTURAL IRONMONGERS in succession to Mr Colin Milne. Mr Geoff Trevena of B. Lilly and Sons has become vice-chairman and Mr Stan Urmston of Laidlaw and Thomson has been made honorary treasurer.

★

Mr Vic Williams, a director of IPC BUSINESS PRESS and chairman of a number of its subsidiary companies, has retired from full-time service with IPC and the former Odhams Press. He has relinquished his appointments as chairman of IPC Agricultural Press, IPC Building and Contract Journals and the Management Services Division of IPC Business Press, but remains on the main board, continuing his responsibilities for IPC's Middle and Far East activities.

★

Mr J. B. Judkins, manager of National Tyre Service (Garage Equipment) has been elected president of the GARAGE EQUIPMENT ASSOCIATION.

★

The SUSSEX COUNTY BUILDING SOCIETY has appointed **Mr David Loader** chairman and **Mr William Dewdney** as vice-chairman.

Mr R. A. Dommett will become deputy general manager of the EAST SURREY BUILDING SOCIETY on September 1. Mr Dommett is deputy secretary of the Chartered Building Societies Institute.

★

MERCANTILE HOUSE HOLDINGS has appointed **Mr R. H. Smith** a director of its wholly-owned subsidiary M. W. Marshall and Co. from June 11.

★

Mr J. R. Featherstone has been appointed group managing director of HOGGETT BOWERS AND PARTNERS.

OVERSEAS

RUHRGAS AG has appointed **Dr-Ing Burckhard Bergmann** head of gas purchasing and former vice-member of the executive board, a full member of the board.

★

Mr Kenneth F. Goldstein has joined SWETT AND CRAWFORD GROUP as president of Swett and Crawford Management Company, Los Angeles. He assumes responsibility for directing the underwriting management activites of this newly-formed company.

★

Mr Hans Schneider, former deputy managing director of Swissair, has been appointed chairman of the newly-formed holding company SWISSAIR BETEILIGUNGEN AG.

★

Mr R. Duffy Wall has been named vice-president—Washington relations for FREEPORT-McMoRAN INC., New York, newly formed combination of Freeports Minerals Company and McMoRan Oil and Gas Company.

★

Mr Harry Martin has been appointed manager of the Antwerp branch of NATIONAL WESTMINSTER BANK's wholly-owned subsidiary, International Westminster Bank. Prior to his new appointment he was an assistant regional manager at the bank's northern Europe regional office based in the City of London. He succeeds Mr P. A. Toull who has been appointed senior representative, National Westminster Bank in the Netherlands, based at NatWest's associate, F. van Lanschot Bankiers NV, 's-Hertogenbosch.

CONTRACTS

£9m telephone order

A wide range of telephone equipment costing £9m has been ordered from **TMC** by British Telecom. The orders cover 200,000 multi-frequency telephones, 30,000 push-button telephones and 13,500 linesman's telephones. Deliveries of telephone instruments commence in autumn 1981 and are due for completion in spring 1982. All instruments will be manufactured at the Airdrie factory.

★

Marks and Spencer has decided on **ICL** computers as part of its five-year computing plan. The first phase is a £1m order for two 2956 computers to operate Marks and Spencer's on-line food depot system. The two 2956s, one with two megabytes of main store, the other with three megabytes, are replacing the two 2904s which run the fresh food depot system at present. One 2956 will run the depot system and the second 2956 will provide a fail-safe back-up and relieve the present overloading on Marks and Spencer's 2970 and 1904S computers.

★

A forging press worth over £500,000 has been ordered from **FIELDING AND PLATT**, the Gloucester-based member of the Redman Heenan International Group, by High Duty Alloys Forgings, a Hawker Siddeley subsidiary, for installation at its Smethwick works. The new press unit will be used for the production of aluminium alloy forgings for aerospace and defence equipment, surface transport and marine applications. The press has a capacity of 15 MN and is powered by the factory water hydraulic mains at 275/290 bar.

★

FERRANTI has been awarded a contract to supply a comprehensive telecommunications package for the Amoco N.W. Hutton oil drilling and production platforms.

★

Trafford Borough Council has awarded a contract worth £967,000 to extend the sports centre at Oakfield Road, Altrincham, Cheshire, to the Manchester office of **WIMPEY CONSTRUCTION UK**. The extension will comprise large and small sports halls, squash courts, changing rooms, training rooms and refreshment facilities. Construction is due to start in mid-June for completion in August 1982.

Latest check on pay in industry

BY MICHAEL DIXON

WHEN I last reported the findings of Lloyd Incomes Research's survey of salaries in United Kingdom manufacturing and service companies, my headline read: "Five-figure salary prospects in industry." And the table covered every category of job where Lloyd had found the maximum salary to be £10,000 a year or more.

Although that was only two years ago there would not be room for me to do the same today, because there are now very few jobs of the managerial and specialist kind covered by the survey which do not offer salary prospects of at least £10,000. So I have limited the table to posts in which the median—the salary of the person half way down the pay league for the job category concerned—and ranked the categories by that median figure. (The lower quartile is the salary of the person three-quarters of the way down the league, and the upper quartile that of the one a quarter of the way down.)

This restriction means, of course, that the accompanying table gives but a small part of the information in the full survey report. This deals with a total of 45 different types of job, and shows how payments are distributed among the relevant staff according to the size of the company they work for, whether it is in the manufacturing or the service sector, and whether they work in the south-east of England or elsewhere. There are also summary tables showing the prevelance of a variety of perks. Anyone wanting the full report and who has £75 to spare should contact Carole Fulton of Lloyd at 24 Maddox St, London W1R 9PG; telephone 01-629 5951, telex 25981.

All we have here are the 25 best-paid categories in the survey, which is carried out by the following method. Lloyd Incomes Research first draws up specifications of managerial and higher-grade specialist jobs commonly found in industry. It then gets in touch with companies to find out the salaries and other main benefits they award to employees whose work matches the job specifications.

The 1981 information was provided by a total of 110 companies (115 in 1979) operating in various parts of the UK. Of these, 60 were manufacturing concerns (62), and the other 50 were service companies (50).

Among the manufacturers 16 had no more than 200 employees (17), 22 had between 201 and 2,000 people (29), and the other 22 employed a larger number (16). In the service sector there were 24 of the small employers (21), 16 of the medium-sized (16), and 10 with 2,000 or more on their payroll (16).

Over the two years 1979-81 the average salary increase on the median was 44.4 per cent. Of the 25 categories of staff, nine did better than this average. They were board directors—finance with 77.8 per cent; board directors — marketing 76.9; executive directors—personnel 76.5; general sales managers 75.5; board directors — personnel and executive directors—marketing 66.7; national accounts managers 57; executive directors—finance 55.4; and financial controllers 46.3 per cent.

This year, by the way, the median salaries of all 45 groups of staff who worked in the south-east of England were 6.75 per cent higher on average than those of their counterparts working elsewhere.

BEST PAID MANAGERS IN UK MANUFACTURING AND SERVICE COMPANIES

Ranking	Job category	Annual salary: Minimum £	Lower quartile £	Median £	(Median 1979) £	Upper quartile £	Maximum £	Average extra earnings £	% with company cars
1	Board director—finance	15,312	19,000	24,000	(13,500)	27,500	43,435	2,445	93
2	Board director—marketing	18,000	21,000	23,000	(13,000)	29,000	42,000	3,063	100
3	Executive director—finance	14,595	18,000	20,202	(13,000)	24,000	35,000	2,478	100
4	Board director—personnel	15,500	17,820	20,000	(12,000)	24,257	32,000	3,417	100
5	Executive director—marketing	12,500	14,000	20,000	(12,000)	20,000	32,000	3,178	100
6	Board director—production	15,000	15,000	17,000	(12,450)	19,400	27,000	2,470	100
7	General sales manager	10,000	12,876	16,500	(9,400)	17,874	17,374	1,682	100
8	Financial controller	9,624	12,870	15,000	(10,250)	17,388	25,405	1,274	94
9	Executive director—personnel	9,950	12,000	15,000	(8,500)	18,000	25,000	3,164	94
10	Executive director—production	9,500	11,209	15,000	(10,500)	17,500	20,000	3,036	86
11	Marketing manager	10,000	12,500	13,500	(10,000)	14,000	25,000	733	59
12	Retail controller (responsible for all branches in a retailing group)	10,000	12,999	13,250	(13,200)	13,500	16,500	1,302	100
13	Chief accountant	8,415	10,500	12,000	(9,500)	13,000	17,031	851	88
14	Divisional sales manager	7,602	11,000	11,640	(8,926)	13,400	15,960	987	98
15	Production manager	7,290	10,950	11,550	(8,500)	14,000	16,342	835	92
16	Marketing services manager	8,000	9,500	11,000	(8,000)	12,250	20,902	777	90
17	Personnel manager	6,630	10,000	11,000	(8,000)	11,000	19,000	1,033	76
18	National accounts manager (responsible for all key sales accounts of group)	8,000	10,000	11,000	(7,008)	12,005	17,000	—	100
19	Administration manager (responsible for total administration of single site)	7,002	10,000	11,000	(8,384)	11,000	14,500	883	90
20	Product group manager	8,450	10,472	11,000	(8,250)	12,279	14,000	1,138	99
21	Data processing manager	9,350	10,500	10,500	(9,000)	13,000	23,927	1,363	38
22	Chief engineer	9,000	10,000	10,500	(9,500)	11,025	18,000	2,450	75
23	Purchasing manager	7,642	9,250	10,000	(7,000)	11,000	17,873	845	92
24	Sales promotion manager	7,500	9,000	10,000	(7,200)	10,850	16,000	279	100
25	Regional sales manager	6,501	9,500	10,000	(8,000)	10,433	14,368	1,235	62

PUBLIC NOTICES

CITY OF EDINBURGH DISTRICT COUNCIL

VARIABLE RATE REDEEMABLE STOCK 1983

For the six months from 9th June 1981 to 9th December 1981, the interest rate on the above stock will be 14.2188% per annum

BANK OF SCOTLAND
55 OLD BROAD STREET
LONDON EC2P 2HL

BOROUGH OF IPSWICH
£9,000,000 Bills issued Today due 8.9.81 at 12 31/64. Total apps. £6.3 million. Only Bills outstanding.

COMPANY NOTICE

THE SCOTTISH EUROPEAN INVESTMENT COMPANY LIMITED

A Petition has been presented to the Lords of Council and Session by the above-named Company, having its Registered Office at 45 Charlotte Square, Edinburgh, for sanction of a Scheme of Arrangement between the Company and the holders of its Ordinary Shares and for confirmation of the Reduction of Capital provided for therein. The Scheme is appended to the said Petition. In the said Petition an Interlocutor has been pronounced as follows

"Edinburgh 4th June, 1981. The Lords appoint notice of the dependence of the Petition to be given by advertisement once in the Edinburgh Gazette and once in each of the Scotsman and Financial Times newspapers and appoint all parties claiming an interest to lodge Answers thereto, if so advised, within Fourteen days after such advertisement."

"Wheatley, I.P.D."

of all of which Intimation is hereby given.

DUNDAS & WILSON, C.S.,
25 Charlotte Square,
Edinburgh EH2 4EZ.
Solicitors for Petitioners.

WORLD STOCK MARKETS

Dow up 3.8 at mid-session

STOCKS WERE higher in moderate trading at mid-session, as the market continued to respond favourably to Friday's money supply report.

The Dow Jones industrial average gained 3.8 to 997.59 at 1 pm. Advances led declines seven to six on volume of 21m shares. The NYSE All Common Index was up 0.14 at $76.87.

Analysts said the modest $100m rise in money supply M-1B reported for the week ended May 27 eased concerns that the Federal Reserve might tighten credit policy further, and should allow for further declines in interest rates this week.

However, worries about renewed tensions in the Middle East *tended to limit the market's* gains.

Mr Michael Metz, of Oppenheimer and Co said the fundamental background for the market was encouraging because of the money supply numbers, and the smaller rise in wholesale prices for May reported on Friday.

The unemployment figures for May provided further evidence that the economy was slowing from its strong first-quarter pace.

Oil stocks remained relatively weak. **Exxon** slipped $½ to $66⅞, **Standard Oil of California** declined $¼ to $37⅞ and **Standard of Indiana** $⅞ to $54. **Texaco** added $½ to $34½ after it said it plans to repurchase up to 5m shares.

Volume lader **Champion Home Builders** eased $⅛ to $3½. **American *Maize Products* "B"** added $½ to $11½, while **International Banknote** slipped $⅛ to $5½ and **Houston Oil Trust** edged up $⅛ to $27⅞, all in active trading.

Ranger Oil, also active, rose $⅛ to $11⅛ and **Alaska Airlines** gained $¼ to $8½. **Pall Corp.** declined $1 to $32.

THE AMERICAN SE Market Value Index was off 1.33 at 368.68 at 1 pm on volume of 4m shares.

Closing prices for North America were not available for this edition.

Canada

The market was higher at noon with the Toronto Composite Index up 4.2 at 2,348.9 on volume of 1,832,652 shares.

Advances outnumbered *declines 188 to 173* and 11 of the 14 major indices were higher.

The Metals and Minerals index was up 1.7 at 2,352.0, Golds up 98.3 at 3,989.3 but the Oil and Gas indicator was *off 13.8* at 4,810.4.

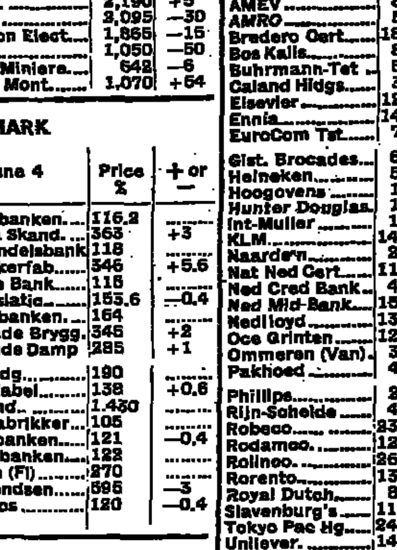
Most active **Dome Petroleum** was unchanged at C$21¾ followed by **Noranda Mines** off ⅜ at C$33¾. **Canada Permanent** was off ⅛ at C$26⅞ and **Bow Valley Industries** ⅛ at C$18⅞. **Hudson's Bay Oil** was off ⅛ at C$35⅞.

Tokyo

The market posted a substantial decline in extremely thin trading, with prices down on a broad front.

The Nikkei Dow Jones index shed 67.80 points to stand at 7,334.97 at the end of the day.

Trading was extremely thin. Brokers said the yen's continued fall in the foreign exchange market kept most investors away. One broker said there was little incentive for trading. Turnover in the first section totalled about 190m shares, slightly larger than the 170m shares in Saturday's half-day session but smaller than the 300m shares in Friday's full-day session.



High-priced quality shares such as **Sony, Matsushita Electric Industrial** and **Hitachi** were among the day's prominent losers. Giant capital shares like Steels also declined. Prices eased across the board.

Sony suffered an especially severe setback, falling through the Y5,000 level briefly during the day, though it later climbed back up to end the day at Y5,050 losing Y210. Brokers said persistent speculation that its second-quarter consolidated earnings may not be as good as expected was responsible for the *decline*.

Matsushita Electric lost Y90 to Y1,530, **Nippon Electric** Y21 to Y754, **Fuji Photo** Y60 to Y1,530, **Canon** Y40 to Y1,350, **Toyota Motor** Y30 to Y1,050, **Toppan Print** Y10 to Y530 and **Kyoto Ceramic** Y110 to Y4,300.

Sumitomo Metal and Kawasaki Steel lost Y5 each to Y260 and Y195 respectively. **Hitachi** shed Y17 to Y641. **Mitsubishi Heavy Ind.** Y4 to Y287 and **Hitachi Shipbuilding** Y4 to Y215.

Honda Motor, *which had been* advancing on reports about brisk motorcycle exports, ran into profit-taking selling and slipped back Y40 to Y1,060 because of the recent market fall, brokers said.

Hong Kong

Selling by local investors turned the stock market around at mid-day, with prices closing lower yesterday in fairly active trading.

The Hang Seng index lost a three-point gain at mid-session as sellers began to dominate in the afternoon. At the close, the indicator was 18.31 points lower at 1,697.50. Combined turnover on the four exchanges totalled HK$654.81, below Friday's HK$707.84.

Brokers said locals appeared to take a glum view of high U.S. interest rates, despite Friday's favourable news on the growth of the U.S. money supply.

One analyst said: "The Hong Kong market can do some extraordinary things. It looks like rates would start coming down, but it was then decided things didn't look so good so there was some profit-taking."

Properties closed mixed. **Hongkong Land** was off 20 cents at HK$11.80. **Cheung Kong** fell 25 to HK$31.75 and **Swire Properties** lost 20 to HK$14.20. On the upturn **Carrian Investments** gained 50 cents to HK$10.40. The *company purchased a 10 per cent* interest in a local bank through a subsidiary last week. Also, **Far East Consortium** gained 10 cents to HK$6.45 on news that *it sold its interest in a realty* company to **Eda Investments Ltd.** for HK$144.4m.

Milan

Stock prices closed lower in spite of a late support action by banks and holding groups, which reduced the extent of loses but failed to reverse the sharp downward trend.

The day index posted a loss of 1.5 per cent. Sales prevailed throughout in active trading.

The market decline was partly attributed to technical factors and partly to political and monetary uncertainties.

A NUMBER of European markets were closed yesterday

Singapore

Share prices closed lower on profit-taking in selective active trading with sentiment partly influenced by a lower Hong Kong market and local prime rate increases.

The Straits Times index was off 6.08 to 890.11.

Johannesburg

The stock market closed mostly easier led by Gold shares which, generally, failed to follow the bullion price recovery in London after its sharp fall in New York on Friday.

CANADA

Stock	June 5	June 4
Abitibi	26¾	27
Agnico Eagle	11⅛	11⅞
Alcan Alumin	39	39
Algoma Steel	47⅞	47½
Asbestos	38½	38¾
Bk Montreal	28⅞	28½
Bk Nova Scotia	27⅞	28
Basic Resources	11⅛	11⅛
Bell Canada	19⅝	19⅝
Bow Valley	18½	18¾
BP Canada	45½	45⅞
Brascan A	34¾	34¾
Brinco	9	9¼
B. C. Forest	18⅛	18⅜
CadillacFairview	43	42
Camflo Mines	30¼	31
Can Cement	14½	14½
Can NW Lands	41¼	41
Can Packers	36½	35
Can Perm Mtg	27¼	27½
Can Trusco	28⅛	28⅛
Can Imp Bank	29¼	29
Cdn Inds	36¼	36½
Cdn Pacific	47⅛	47⅝
Can P. Ent	24	23¼
Cdn Tire	33¼	33⅞
Cherokee Res	9½	9½
Chieftain	24	22¾
Cominco	68½	69¼
Cons Bathst A.	26¾	27
Coseka Res	19¾	20
Costain	12⅞	12⅞
Daon Devel.	12¼	12¼
Denison Mines	44¼	43⅝
Dome Mines	23½	25¼
Dome Petroleum	21¾	22
Dom bridge	—	26⅝
Dom Foundries A	47¼	47⅛
Dom Stores	22⅞	23
Domtar	36¼	36⅛
Falcon Nickel	102	100
Genstar	37	37⅛
Gt.-West Life	260	250
Gulf Canada	27½	27
Gulfstream Res.	7⅛	7½
Hawk Sid. Can	23	23⅛
Hollinger Argus	48½	48
Hudson Bay Mng.	30⅛	30½
Hudson's Bay	27½	27¼
do. Oil & Gas	36	35½
Husky Oil	17	17⅛
IAC	11⅛	11¼
Imasco	36⅞	35¾
Imp Oil A.	34½	35
Inco	25¼	25⅜
Indal	17⅛	17¼
Inter. Pipe	15⅛	15⅛
Mac Bloedel	42¼	43⅛
Marks & Spencer	11	11
Massey Ferg.	4.40	4.45
McIntyre Mines	61	58
Merland Explor.	9½	9½
Mitel Corp.	41⅝	42¾
Moore Corp.	44¾	43⅝
Nat. Sea Prods A.	10¼	10¼
Noranda Mines	33¾	34⅝
Nthn. Telecom	51	49¼
Oakwood Pet.	20¼	20⅜
Pacific Copper	3.70	3.55
Pan can Petrol	91½	91½
Patino	49	49
Placer Dev.	22¾	23
Power Corp.	22½	22⅝
Quebec Strgn.	4.00	4.30
Ranger Oil	13½	13⅞
Reed Stenhs A.	11⅞	12
Rio Algom	39¾	39¾
Royal Bank	29½	29¾
Royal Trustco A.	19¼	19¼
Sceptre Res	15¼	14⅞
Seagram	62½	62⅛
Shell can Oil	26¾	26⅝
Steel of Can A.	36¾	36⅝
Teck B.	19½	19½
Texaco Canada	35	34⅛
Thomson NewsA	22½	22
Toronto Dom Bk.	32¾	32¼
Transcan Pipe	24¼	24
Trans Mntn. Oil A	11¾	12⅛
Utd Sisco Mines	18⅜	18
Walker (H) Res	29	28¾
Warrior Res.	5.12	5.12
Westcoast Trans	13⅞	14¼
Weston (Geo)	32⅞	33¼

AUSTRIA

June 5	Price %	+ or —
Creditanstalt	326	....
Landerbank	322	....
Perimooser	254	....
Semperit	101	+1
Steyr Daimler	210	....
VeitscherMag.	264	....

BELGIUM/LUXEMBOURG

June 5	Price Frs.	+ or —
ARBED	1,200	+30
Banq Int A Lux	4,250	....
Bekaert B	1,364	+124
Ciment CBR	914	....
Cockerill	160	—4
EBES	1,292	....
Electrobel	2,730	+15
Fabrique Nat	1,750	+50
G.B. Inno	1,740	....
GBL (Brux L)	1,106	+6
Gevaert	1,250	+4
Hoboken	2,290	+90
Intercom	1,016	—6
Kredietbank	4,550	....
Pan Hldgs	5,900	+230

BELGIUM (continued)

June 5	Price Frs.	+ or —
Petrofina	3,950	—55
Royale Belge	3,800	....
Soc Gen Banq.	1,665	—30
Soc Gen Belge	992	+82
Sofina	2,190	+5
Solvay	2,095	—30
Traction Elect.	1,865	—15
UCB	1,050	—50
Union Miniere	642	—6
Vieille Mont.	1,070	+54

DENMARK

June 4	Price %	+ or —
Andelsbanken	116.2	....
Baltica Skand.	363	+3
CopHandelsbank	118	....
D. Sukkerfab.	346	+5.6
Danske Bank	115	....
East Asiatic	155.6	—0.4
Finansbanken	164	....
Forenede Brygg.	345	+2
Forenede Damp	285	+1
GNT Hldg.	190	....
Nord Kabel	138	+0.6
Novo Ind.	1,430	....
Papirfabrikker	105	....
Privatbanken	121	—0.4
Provnsbanken	122	....
Smidth (Fl)	270	....
S. Berendsen	595	—3
Superfos	120	—0.4

FRANCE

June 5	Price Frs.	+ or —
Emprunt 4½% 1973	2,373	—40
Emprunt 7% 1973	6,858	—93
CNE 3%	2,860	—40
Afrique Occid.	430	....
Air Liquide	370	—5
Aquitaine	560	—4
Au Printemps	93	—1
BIC	469	+1
Banq' Rothschild	93	—3
Bouygues	618	—12
BSN Gervais	893	+3
Carrefour	1,550	—20
Club Mediter.	420	....
CGE	271	—4
CSF (Thomson)	187	—8
Cie Bancaire	140	—0.5
Cie Gen Eaux	236	—6
Cofimeg	114	—4.1
CCF	130.1	—0.1
Creusot Loire	41.9	+0.9
CFP	124	—1.1
DNEL	33.5	+1
Dumez	805	+10
Ferodo	247	—4
Gen.-Occidental	380	—5
Imetal	68.4	—1.1
Lafarge	250	—1
L'Oreal	635	+8
Legrand	1,165	....
Machines Bull	36	—1
Matra	1,090	+90
Michelin B	725	+25
Moet-Hennessy	411	+1
Moulinex	56.1	—1.4
Paribas	166.5	—2.7
Pechiney	69.8	—1.2
Pernod Ricard	251.5	+0.3
Perrier	128.2	+1.2
Peugeot-SA	128	—9.4
Poclain	150	—4
Radiotech	203	—1.6
Redoute	568	+1
Rhone-Poulenc	57.1	—0.7
Roussel-Uclaf	160	—1
St. Gobain	102.5	—2.5
Skis Rossignol	416	—4
Suez	231	—3
Telemech Elect.	913	—12
Thomson Brandt	156	—2

Indices

HOLLAND

ITALY

NORWAY

SWEDEN

GERMANY

SWITZERLAND

AUSTRALIA

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

BRAZIL

NEW YORK ACTIVE STOCKS

U.S.-Soviet talks on grain deals

TALKS OPENED in London yesterday between the U.S. and the Soviet Union on the prospects of further grain sales.

The meeting at the Soviet Trade Mission in Highgate, described by the Americans as "exploratory," is the first since the lifting of the American embargo on grain sales to Russia two months ago.

The embargo was imposed by President Carter last year as a reaction to the Soviet invasion of Afghanistan.

Officials say the two days of talks are intended to explore what the Soviets are interested in buying and the Americans in supplying.

With good harvests in the main maize and wheat producing regions, including Canada, the U.S. and the Common Market, the grain market has tended recently to favour buyers.

A five-year agreement between the U.S. and the Soviet Union, which expires in September this year, allows the Soviets to buy up to 8m tonnes a year of maize and wheat from the U.S.

This quota has already been bought by the Soviets and the embargo precluded any increase in its size.

Under the five-year agreement talks were scheduled to be held twice annually in Moscow and Washington, but they were suspended when the embargo was imposed.

It was agreed then between the two sides that London was a suitable venue for the resumption of the talks after the embargo was lifted.

Norway imports timber

By Our Commodities Staff

NORWAY WAS a net importer of timber in the first quarter of this year.

Figures published by Trelastindustriens Sentralforbund, the Norwegian timber trade association, show that January-March timber exports fell to 67,857 cubic metres from 123,640 cu metres in the same period last year. At the same time imports rose 3,624 cu metres to 90,007.

The association attributed the fall in exports to worsening business conditions in Europe which had led to a "wait and see" attitude to housebuilding. An upturn in housebuilding is expected in the autumn, it said.

Sudden surge in tin market

BY JOHN EDWARDS, COMMODITIES EDITOR

TIN PRICES surged upwards suddenly on the London eMtal Exchange yesterday, as some heavy buying met limited selling interest in a thin market. Cash tin closed £250 up at £6,680 a tonne, but the market lost ground in late kerb and after hours dealing, shedding some £100 of the earlier gains.

Dealers were taken somewhat by surprise, since tin values were marginally down in the Penang market over the weekend and the rise in sterling should have resulted in lower, rather than higher, prices. But it was noted that continental traders were on holiday yesterday, and that there is a general reluctance to sell prior to the resume International Tin Agreement negotiations starting in Geneva today. It is assumed producers' demands for a rise in the Tin Agreement price range will be pressed so forcefully that they will be conceded at the next Tin Council meeting in July.

Copper prices were sustained, against the stronger trend in sterling, byt the rise in gold, the flare-up between Israel and Iraq, and the continued stoppage at the El Teniente smelter in Chile, although it was reported the Chileans were making plans to transfer the El Teniente mine output for smelting and refining elsewhere.

Aiding the steady trend in copper was a decline in LME warehouse stocks, which fell by 2,100 tonnes reducing total holdings to 116,750 tonnes. Cash wirebars closed £2 at £867.

Lead stocks were also odwn by 1,125 to 48,525 tonnes, and the mraket shrugged off news that fresh talks to end the strike by St. Joe Minerals workers in Missouri will start today. Zinc stocks fell by 1,150 to 87,450 tonnes and at one stoge the cash price discount to the three months quotation was eliminated. However it reappeared when the market came under heavy selling pressure in late trading.

Nickel stocks were cut by 78 tonnes to 2,352 tonnes, but the market lost ground. As expected aluminium stocks rose by 1,825 to 58,525 tonnes, tin by 15 to 7,650 tonnes while LME silver holdings increased by 370,000 to 25,460,000 ounces.

Minister defends battery hen system

BY RICHARD MOONEY

THE PRICE of eggs would double if the battery cage production system was abandoned, Mr. Peter Walker, Minister of Agriculture, said in London yesterday.

Animal welfare campaigners, who have proclaimed this week "Don't Eat a Battery Egg Week," plan to distribute 250,000 leaflets in an attempt to persuade consumers of the evils of the battery cage. But Mr. Walker, who is under pressure from poultry farmers to give extra aid to help them improve profits from present depressed levels, demonstrated clearly that he was not open to persuasion.

"The battery cage system is an efficient system," he said. "It's abolition would cost many millions of pounds and the price of eggs would double if alternative systems had to be used."

A spokesman for Compassion in World Farming said Mr. Walker had refused to discuss evidence that a commercially viable alternative which was acceptable on welfare grounds was possible. Many people did not realise the cruelty involved in the battery system, he said.

But poultry farmers want Mr Walker to give them extra grant aid to modernise facilities using the system. After submitting a 25-page document making out the case for such aid, Mr Ted Kirkwood, chairman of the National Farmers' Union's poultry committee, said many British producers were operating units that were over 10 years old and production efficiency had suffered.

Cocoa at 5-year low

By Our Commodities Staff

A FURTHER decline in the cocoa market took nearby London futures values to new five-year lows yesterday. After slipping to £846 a tonne at one stage the September position ended the day £10 down at £854.5 a tonne.

But dealers saw no sign of the producer selling which had encouraged earlier declines. They attributed yesterday's fall to lack of demand to take up light selling by speculators. With most continental centres closed for Whit Monday holiday the market was very quiet.

A Reuter report published at the weekend quoted market analysts in New York as forecasting a further substantial decline in the cocoa market. Some thought it might go as low as $1,100 a tonne by midsummer if no crop set-backs occur to reverse the current bearish tone.

Coffee prices also fell in London yesterday trimming back the sharp gains made on Friday. The September futures position ended £22 down at £889.50 a tonne after reaching £871 a tonne during the day.

Dealers said the fall was due to commission house selling in a basically quiet market.

World sugar values rise

By Our Commodities Staff

WORLD SUGAR values rose yesterday encouraged by news of the Israeli bombing of an Iraqi nuclear reactor. It was feared this action could escalate Middle East tension to the point where movement of sugar through the Suez Canal was threatened.

The Canal is used by Australia to ship to the U.S. and by East African countries for shipments to France and Britain.

The October position on the London futures market gained £6.80 on the day to £224.05 a tonne.

Meanwhile the International Sugar Organisation decided to defer a decision on whether to increase world export quotas in view of the recent price rise until the executive committee meeting on June 23.

COMMODITY FUTURES TRADING COMMISSION

A gentler hand at the helm

BY NANCY DUNNE IN WASHINGTON

HAVING survived the growing pains of its infancy, the six-year old Commodity Futures Trading Commission (CFTC) may be entering an era of relative tranquility under the leadership of a new chairman, Mr. Philip Johnson, a 42-year-old comodities attorney.

Mr. Johnson, whose Senate confirmation is expected next week, has specialised in the Commodities Exchange Act and its regulations for the past 15 years at the Chicago law firm of Kirkland and Ellis.

Plagued for years by internal strife, the CFTC has been much disliked by the industry it regulates. Its previous chairman, Dr. James Stone, who was appointed by President Carter when he was a 31-year-old Massachusetts insurance commissioner, is regarded as inexperienced and arrogant, pursuing rulemaking with excessive zeal.

By contrast, the appointment of Mr. Johnson has received widespread approval. Mr. John W. Claggert, president of the Futures Industry Association, terming it "an excellent nomination," predicted, "Philip Johnson will be scrupulously fair in his handling of the Commission. I know of no one more knowledgeable."

"He will be more a watchdog than a policeman," said Mr Lee Rose, publisher of the Futures Industry Newsletter and longtime industry observer. Mr. Johnson will favour as much deregulation as possible."

Because he was asked by the White House not to discuss his views until he is installed in office, Mr. Johnson has had little opportunity to indicate what policies he will favour.

In his testimony before the Senate Agriculture Committee, which must approve his nomination, he said he would work for speedier approval of new market applications and stricter rule enforcement.

Mr. Johnson has been one of the leading backers of the proposed National Futures Association (NFA), an industry self-regulating body which will relieve the overburdened CFTC of some of its functions. The NFA was actually envisioned in the 1974 legislation which created the commission. It was expected at that time that a National Futures Association would regulate dealings with customers by advisers, pool operators and brokers and that the CFTC would oversee both parties, handle investigations, monitor the markets and administer disciplinary procedures.

However, disputes and a distrust for regulation by the industry delayed the establishment of an NFA. But with the Commission under fire from its critics, the industry feared it was near collapse, according to former commissioner John V. Rainbolt II, and made the push which completed the NFA design now under consideration.

Formation of the NFA will clear the way for a long-awaited pilot programme to sell options for sugar, gold and government national mortage certificates. The commission voted Tuesday to request industry comment on the programme and specifically asked for comment on whether or not the experiment should be broadened to include options on additional commodities. Final approval is expected to come this autumn.

"There will be an options programme," says Mr Rainbolt, who first proposed the scheme in 1976. The proposal was defeated in 1979 when the four commissioners could not agree on details, but commissioner David Gartner, who opposed the scheme on the grounds that the commission did not have the resources to supervise the programme is reconsidering his stand.

Unlike his two predecessors, Mr. Johnson has wide industry experience. He served as a member of the Commodity Futures Trading Commission's advisory committee on the definition and regulation of market instruments and is a member of the CFTC advisory committee on state jurisdiction and responsibilities. He has written many articles on the Commodity Exchange Act and has a two-volume legal treatise, Commodities Regulation, scheduled to be published this year.

He has said that as chairman he will abstain from voting on issues he dealt with as counsel to the Chicago Board of Trade, but in his testimony, he estimated that he dealt with very few of the matters likely to come before the CFTC in the near future.

Many important rule proposals are nearing passage. The controversial proposal to require brokers representing foreigners to hand over to the CFTC information about their clients, should the commission request it, is soon to receive a final vote. Under the proposed regulation, if the information is not forthcoming, the broker would be required to liquidate the customer's account.

Also scheduled for approval this year are rules for the registration, fingerprinting, and proficiency testing of commodity dealers; a proposal to require that speculative position limits be set on all commodity future contracts; a proposal to reduce the size of silver contracts; and a scheme to allow futures trading on a stock market index.

Because the CFTC is authorised under a "sunset" legislative provision which comes up for reauthorisation next year, the new chairman is assuming duties at a vital time in the commission's history. Past ineptitudes of the agency have prompted Congressional suggestions that some of its functions be assigned to the Securities and Exchange Commission or to the Treasury Department. The presence of a chairman, respected in the industry and on Capitol Hill, may save the commission from the anti-regulatory axe being wielded so frequently in Washington these days.

UK not top NZ lamb importer

BY DAI HAYWARD IN WELLINGTON

BRITAIN HAS lost its place as the main customer for New Zealand lamb. For the first time ever more NZ lambs will go to the Middle-East than to Britain this season.

Shipments to the UK will be less than 37 per cent of the total lamb production of 31m lambs. The UK will receive 147,000 tonnes compared to 148,000 tonnes going to Iran, Iraq and other Middle-East countries. This is a big drop from the 210,000 tonnes of NZ lamb which Britain needed just a few years ago.

In the early 1970's the NZ meat board offered financial incentives to exporting companies to find markets outside the UK because British governments had made it clear they could not accept all of New Zealand's lamb production, as had been the case after the war. British entry to the EEC, which imposed duties on NZ lamb also caused problems for NZ producers.

The Middle-East market has increased dramatically over the last three seasons and the meat industry is confident that even more NZ lamb will be sold there in the future.

The meat exporters council believes the level of lamb shipments to the UK will stay at around the present figure and that increased production from New Zealand's farms will be sent to meet the growing demand from the Middle-East.

The season has been an extremely good one for NZ farmers. There was a big increase in production and farmers were encouraged to retain a bigger proportion of their breeding ewes, through government incentives.

The NZ meat board has worked hard to develop the Middle-East lamb trade. It has been assisted by the boom in the economies of the oil producing countries which can now afford to import much larger quantities of meat.

Platinum increase price

UK PRICE of platinum, charged by Rustenburg Mines of South Africa, was raised to £247.00 per ounce from £230 yesterday, due to the recent weakening of sterling against the dollar, Johnson Matthey announced.

The palladium price will be raised to £72.75 from £67.75; iridium to £311.59 from £290.50 and rhodium to £311.50 from £289.00.

Dollar prices are unchanged.

BRITISH COMMODITY MARKETS

BASE METALS

Base-metal prices were mixed on the London Metal Exchange. Tin advanced strongly in the afternoon rings and touched £6,810 before closing the late kerb at £6,710 as a number of large buying orders prompted stop-loss buying. Reports that the Israelis attacked a nuclear plant in Iraq caused sharp gains in precious metals and buying interest spilled over into Copper which rose to £893.5 prior to closing at £891.5, despite the rally in sterling. Lead closed at £361.5, after £366. Aluminium at £667 and Nickel at £3,246.5. A feature of Zinc trading was heavy demand for cash material which eliminated the contango during the morning rings. However, three months fell back from a day's high of £427 to a low of £410 on the afternoon kerb before closing at £415 as heavy influential selling was well absorbed around the £410 level.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	863-.5	......	866.5-7.5	+2
3 months	888-.5	+.5	892-.5	+2.5
Settlem't	863.5	......	—	......
Cathodes				
Cash	857-9	......	860-2	+1.5
3 months	878-9	......	881-2	+2
Settlem't	859	—1	—	......
U.S. Prod			*81.5-6.25	......

Amalgamated Metal Trading reported that in the morning copper cash wirebars traded at £863.5, three months £889, 88.5, 88. Cathodes, three months £878. Kerb: Wirebars, three months £888, 87.5, 87, 87.5. Afternoon: Wirebars, three months £891, 92, 93, 93.5, 93, 92, 91, 92, 91.5, 92. Kerb: Wirebars, three months £891, 92. Turnover: 22,500 tonnes.

Tin—Morning: Standard, cash £6,420, three months £6,540, 50, 45, 50, 55.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6435-40	+50	6675-85	+250
3 months	6555-60	+50	6809-10	+254
Settlem't	6440	+50	—	......
Standard				
Cash	6420-30	+42.5	6675-85	+250
3 months	6555-60	+50	6809-10	+254
Settlem't	6430	+45	—	......
Straits E.	$529.38	+0.82		......
New York	—	......		

High Grade, cash £6,435. Kerb: Standard, three months £6,550. Afternoon: Standard, three months £6,570, 80, 90, 6,600, 10, 20, 30, 35, 40, 50, 60, 70, 80, 6,700, 30, 60, 50, 70, 80, 85, 80, 90, 6,800, 10, 05. Kerb: Standard, three months £6,750, 40, 30, 10. Turnover: 2,020 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	354.25-.75	—.75	356.5-7.5	+0.75
3 months	362-.5	—1.5	365.5-6	+6
S'ment	354.75	—.75	—	......
U.S. Spot	—	......	*38	......

Lead—Morning: Cash £354.5, 55, 54.5, three months £363, 62.5, 63, 62, 62.5. Kerb: Three months £362, 62.5. Afternoon: Three months £363, 63.5, 63, 64, 65, 66, 65.5. Kerb: Three months £365, 64, 63, 62, 61. Turnover: 14,750 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	426-.5	+21	409-10	—5.5
3 months	425.5-6	+14.2	412-3	—7.25
S'ment	426.5	+21	—	......
Primw'ts	—	......	*45.5	......

Zinc—Morning: Cash £426, three months £426, 25.5, 26. Kerb: Three months £426.5, 27, 26.5, 26, 25, 24, 22, 21, 20, 21, 22, 23, 22, 21, 20. Afternoon: Three months £421, 20, 19, 18, 17, 16, 15, 13. Kerb: Three months £412, 16, 15, 14.5, 15, 16, 17, 16, 15, 14, 13, 12, 11.5, 11, 10, 11, 12, 12.5, 12, 13, 14, 15. Turnover: 22,600 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Spot	642-.5	+2.5	645-6	+1.5
3 months	662.5-3	+5.5	666-.5	+3

Aluminium—Morning: Cash £642, three months £662, 63, 64, 65, 63, 62.5. Kerb: Cash £642, 42.5. Afternoon: Cash £645, three months £665, 66, 65, 67, 66.5. Kerb: Three months £668. Turnover: 7,821 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
Spot	3155-65	—35	3180-90	—37.5
3 months	3215-20	—40	3245-50	—27.5

Nickel—Morning: Three months £3,210, 15. Kerb: Three months £3,215. Afternoon: Three months £3,245, 50. Turnover: 372 tonnes.

omitted—the last distribution wa

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 4.6p an ounce higher for spot delivery in the London bullion market yesterday at 522.7p. U.S. equivalents of the fixing levels were: spot $10.101, up 10.7c; three-month $10.534, up 9.3c; six-month $10.932, up 7.0c; and 12-month $11.816, up 12.2c. The metal opened at 511-518p ($9.80-$9.95) and closed at 530p-537p ($10.28-$10.43).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	522.70p	+4.6	530.5p	+11
3 months	538.70p	+5.0	546.9p	+12.4
6 months	556.60p	+4.9	—	......
12 months	596.60p	+8.1	—	......

LME—Turnover 81 (65) lots of 10,000 ozs. Morning: three months 539, 38, 37, 36.5, 38, 35, 35.5. Kerb: Three months 535. Afternoon: Three months 547, 48, 47, 46.8. Kerb: Three months 546.

COCOA

Having opened lower as due against New York's close, futures traded quietly within a narrow range for prices to close £10 down. First hand business was modest as producers remained above current levels and offtake was limited while most Continental buyers were on holiday, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
July	829-831	—12.5	833-824
Sept.	854-855	—10.0	857-846
Dec.	891-892	—10.0	892-886
March	922-923	—10.0	923-917
May	940-941	—10.0	942-937
July	959-960	—9.5	960-956
Sept.	976-978	—8.0	—

Sales: 1,930 (3,635) lots of 10 tonnes.

ICCO Futures—Daily price for June 5: 73.83 (74.65); five-day average 77.15 (79.01).

COFFEE

A lower than anticipated market saw values declining £40 in thin trading conditions, reports Drex Burnham Lambert. The weakness was attributed to a previously overbought situation and steadier sterling. Dealers took advantage of the drop and prices recovered on a stronger New York 'C' during a quiet afternoon.

COFFEE	Yesterday's Close (£ per tonne)	+ or —	Business Done
July	876-78	—26.5	890-65
Sept.	889-90	—22.0	902-71
Nov.	886-88	—25.5	895-70
Jan	886-89	—25.5	890-75
March	885-87	—26.5	887-77
May	885.00	—22.5	885
July	880-20	—20.0	—

Sales: 2,147 (7,011) lots fo 5 tonnes.

ICO Indicator prices for June 5. (U.S. cents per pound.) Comp. Daily ICA 1978 105.67 (105.25); 20-day average 114.03 (114.77).

GAS OIL FUTURES

The market fell quickly to new market lows before bouncing back around $1.50 and traded in a narrow range all morning. News from Israel caused a short-lived rally in the early afternoon, pushing prices to the highs before new selling entered the market, reports Premier Man.

Month	Yesterdays close ($ U.S. per tonne)	+ or —	Business Done
June	268.50	—	268.00-67.50
July	268.00	—0.50	268.50-66.00
August	271.75	—1.25	272.00-71.00
September	277.00	—1.50	277.50-76.00
October	281.25	—1.75	281.50-81.00
November	286.00	—2.00	288.50-85.75
December	291.25	—1.50	292.00-91.00
January	296.00	—2.00	297.00-96.00
February	301.00	—2.75	301.00-01.00

Turnover 785 (866) lots of 100 tonnes.

GRAINS

July wheat opened unchanged and the market remained steady in quiet trading to close from 25p higher on the day. New crops opened 10p lower on wheat and barley. Wheat values dipped on hedge selling but values rallied on trade and commercial buying to close 20-60p up on the day, Acli reports.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterday close	+ or —
July	116.25	+0.25	—	—
Sep.	101.00	+0.20	95.15	—0.05
Nov.	104.85	+0.45	98.80	—0.30
Jan	108.90	+0.50	102.50	—
Mar.	112.45	+0.50	105.90	—
May.	116.10	+0.50	109.40	—

Business done—Wheat: July 116.25-115.90, Sept. 100.80-100.70, Nov. 104.95-104.30, Jan. 108.95-108.30, Mar. 112.50 one trade, May 116.10 one trade. Sales: 82 lots of 100 tonnes. Barley: Sept. 95.30-95.05, Nov. 99.10-98.85, Jan. 102.50 one trade, Mar. no trades, May 109.60-109.30. Sales: 68 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 2 14 per cent June 114.50, July 114, Aug. 114 quoted transhipment East Coast. U.S. Hard Winter $13\frac{1}{2}$ per cent June 114, July 113.50, Aug. 114 quoted transhipment East Coast. English Feed fob Sept. 105.50, Oct./Dec. 109 East Coast. Maize: S African Yellow June/July 90.00 seller. Barley: English Feed fob June 107 East Coast, July-Aug. 96.75 South Coast, Aug. 96.75 East Coast, Oct./Dec. 102.30. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: Eastern 115.20. Feed barley: Eastern 97.00, E. Mids. 101.60, N. East 104.80, Scotland 99.70. The UK Monetary Coefficient for the week beginning Monday June 15 (based on HGCA calculations using three day's exchange rates) is expected to change to 0.875.

RUBBER

The London physical market opened easier, with little interest throughout the day, closing quietly steady. Lewis and Peat reported an fob June price for No. 1 RSS in Kuala Lumpur of 267.5 (262.0) cents a kg and SMR 20 233.5 (229.5).

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
July	61.20-61.50	61.20-61.40	—
August	62.50-62.70	62.30-62.60	—
Jly-Sept	62.50-62.60	62.30-62.60	62.40-61.80
Oct-Dec	65.60-65.70	65.50-65.70	65.70-64.80
Jan-Mar	68.70-68.80	68.60-68.70	68.70-67.60
Apl-Jne	71.60-71.80	71.50-71.60	—
Jly-Sept	74.50-74.60	74.50-74.80	74.60
Oct-Dec	77.40-77.50	77.40-77.50	77.50
Jan-Mar	80.40-80.50	80.50-80.60	—

Sales: 213 (526) lots of 15 tonnes, nil (31) at 5 tonnes. Physical closing prices (buyers) were: Spot 60.00p (same); July 61.75p (62.0p); Aug. 62.50p (62.75p).

SOYABEAN MEAL

The market opened slightly easier in quiet trading conditions with European markets closed, reports T. G. Roddick. Prices stayed on the defensive with some trade selling, closing with small losses.

	Yesterdys Close (£ per tonne)	+ or —	Business Done
June	132.50-33.5	—0.15	—
August	133.80-33.9	—0.50	134.50-33.50
October	136.00-36.2	—0.65	136.50-36.00
December	138.00-38.5	—0.85	—
February	140.10-40.5	—0.80	—
April	140.50-42.5	—0.50	—
June	140.50-44.5	—0.25	—

Sales: 36 (430) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £216.00 (£214.00) a tonne cif June-July shipments. White sugar daily price £236.00 (£232.00).

The market was quietly steady during the morning when quotations were little changed from pre-weekend levels. Later, prices rallied £5 following Middle East reports, C. Czarnikow.

No. 4 Contract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
Aug.	222.75-23.00	217.25-17.50	225.50-15.00
Oct.	224.00-24.10	217.00-17.50	226.50-17.05
Jan.	224.05-24.25	217.50-18.50	225.00-18.50
March	225.55-26.00	219.70-19.75	228.00-19.95
May	226.25-26.45	220.25-20.75	227.00-22.00
Aug	227.35-27.50	220.50-21.00	227.45-27.40
Oct.	228.05-28.45	221.00-22.00	—

Sales: 6,940 (6,624) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade and £322.5 (£317.5) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for June 5: Daily price 17.02 (16.46); 15-day average 16.22 (16.03).

WOOL FUTURES

BRADFORD WOOL MARKET—Business in tops failed to pick up despite sterling's slight recovery against the dollar. The sharp rise in top prices prompted by last week's fall in sterling would have to continue for a week or two before spinners start to accept the new levels. However, stocks remain low and deliveries are moving off at a good rate, and Bradford prices are expected to rise.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kilo. Aug. 397, 405, 400-396; Oct. 394, 397, 398-395; Dec. 396, 398, 399-396; Jan. 397, 399, 400-397; Mar 406, 408, 412-404; May 413, 416, 418-412; Aug. 421, 426, 429-421; Oct. 423, 428, 428-424; Dec. 423, 430, 428-425. Sales: 207.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 56 tonnes. A meagre demand came forward, without much underlying support. Users generally were nervous in relation to the currency situation and not more than cautious inquiry was experienced in African styles.

JUTE

JUTE—June-July C and F Dundee: BWC £248, BWD £199, BTB £303, BTC £249, BTD £201. C and F Antwerp: BWC $542, BWD $428, BTB $655, BTC $537, BTD $249. C and F Dundee: June 40in 10oz £10.63, 40in 7.5oz £9.3. B Twills £31.32.

TEA AUCTION

LONDON TEA AUCTION—35,408 packages were offered in yesterday's auction. Assams saw less demand and was often several pence lower. Bright Africans were barely steady, while others gained 1-3p. Ceylons were fully firm to dearer. Quotations: Quality 122p per kilo (125p); medium 104p per kilo (103p); plain no quote (no quote).

POTATOES

LONDON POTATO FUTURES—The market was quiet, lacking any definite direction, reports Coley and Harper. Closing prices: Nov. 58.60, +0.1, (high 58.70, low 58.50); Feb. 67.70, +0.3, (67.70): April 74.60, −0.4, (high 74.60, low 74.50). Turnover: 21 (117) lots of 40 tonnes.

PRICE CHANGES

In tonnes unless otherwise stated.

	June 8 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1245/1275	+10	$1285/325
Copper			
Cash w'bar	£867	+2	£835.25
3 mths	£892.25	+2.5	£859.25
Cash Cathode	£861	+1.5	£837
3 mths	£881.5	+2	£846.5
Gold troy oz	$472.5	+11	$491.5
Lead Cash	£357	+5.75	£336.25
3 mths	£365.75	+6	£344.5
Nickel	£3,504.50	......	£3,504.50
Freemkt	285/300c	......	295/310c
Platin'mtr'y oz	£247.0	+17	£213.5
Freemkt	£232.15	+1.95	£227.10
Quicksilvert	$450/435	......	$420/430
Silver troy oz	522.70p	+4.6	541.60p
3 mths	538.70p	+5.0	555.90p
Tin Cash	£6,680	+250	£6,015
3 mths	£6809.5	+254.5	£6,115
Tungsten 22.04lb	$143.75	......	$147.51
Wolfrm 22.04 lb	$144/149	......	$142/146
Zinc Cash	£409.5	—5.5	£421.5
3 mths	£412.5	—7.25	£419.75
Producers	$925	......	$875
Oils			
Coconut (Phil)	$580x	......	$555
Groundnut	‡	......	‡
Linseed Crude	£442	......	£424
Palm Malayan	$595x	......	$575
Seeds			
Copra Philip	$390r	+5	$385
Soyabean (U.S.)	$296.5	—1	$320
Grains			
Barley Fut. Sep	£95.15	—0.05	£95.70
Maize	‡	......	£127
Wheat Fut. Sept	£101.00	+0.20	£102.25
No2 Hard Wint	£114.00	+0.75	£105.70
Other commodities			
Cocoa ship't *	£916	—12	£1,026
Future Sept	£854.5	—10	£926.5
Coffee Ft' Sept	£889.5	—22	£1065
Cotton A.Index	87.05c	......	87.85c
Gas oil July	$268	—0.5	$278
Rubber (kilo)	60p	......	53.5p
Sugar (Raw)	£216v	+2	£180
Woolt'ps 64s kl.	352p kilo	+2	355p kilo

‡ Unquoted. v June-July. w July-Aug. y July. z Aug. † Per 76-lb flask. * Chana cocoa.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 76.0 to 80.0; Ulster hindquarters 89.0 to 93.0, forequarters 55.0 to 57.7. Veal: Dutch hinds and ends 125.0 to 132.0. Lamb: English small 84.0 to 88.0, medium 84.0 to 86.0, heavy 82.0 to 84.0. Imported frozen: New Zealand PL 70.0 to 71.0, PM 69.0 to 69.0. Pork: English, under 100 lb 46.0 to 52.0, 100-120 lb 46.0 to 50.0, 120-160 lb 44.0 to 50.0.

MEAT COMMISSION—Average Fatstock prices at representative markets on June 8. GB—Cattle 96.29p per kg lw (−0.50). UK—Sheep 186.00p per kg est dcw (−9.62). GB—Pigs 77.44p per kg lw (+2.60).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported produce: Oranges—Outspan: Navels 48 4.70, 56 5.10, 72 4.60, 88 3.80, 112 3.80, 138 3.80, 150 3.35; Californian: 88/138 3.80-4.80; Jaffa: Valencia Lates 80/120 3.00-4.60; Moroccan: Lates 48/113 3.30-5.00. Lemons—Spania: Trays 25/50 2.00-2.20, Boxes 60/100 5.20; Californian: 115/140 5.50; Italian: 100/120 4.50-4.80; Outspan: 80/100 5.00; Jaffa: Cartons 60/90 4.20-5.00. Grapefruit—Outspan: 40 3.90, 48 3.95, 56 3.85, 64 3.60; Cypriot: 20-kg 40/64 5.50; Jaffa: 20-kg 36/75 3.85-4.75. Apples—S. African: Granny Smith 6.80-7.00, Golden Delicious 7.50-8.00, Starking 7.80-8.20; Chilean: Granny Smith 6.80-7.20, Winesaps 8.50, Richareds 8.00, Red Delicious 7.80; New Zealand: Granny Smith 7.50, Sturmer Pippins 7.60-8.00, Golden Delicious 8.20, Kidd's Orange 7.50, Red Delicious 8.00-8.40; Tasmanian: Jonathans 6.80-7.00, Golden Delicious 7.00, Granny Smith 7.00, Sturmer Pippins 7.50-7.80; Victorian: King Coles 7.80; U.S.: Red Delicious 9.50-10.50; French: Golden Delicious 40-lb 125/175 3.80-4.80; Italian: 40-lb Romes 60/70 4.40-4.60; British Columbian: McIntosh Reds cartons 70/80 4.50. Pears—Belgian: Conference per lb 0.10-0.12; Italian: Passacrassani 0.12-0.14; S. African: Packhams 6.00-6.90, Nelis 5.50; Tasmanian: Packhams 40-lb 6.80-7.20; New Zealand: Packhams 7.80; Victorian: Packhams 7.80-8.50. Nectarines—Spanish: 37/42 4.20-6.00. Plums—Spanish: Red 4/5s 4.40-5.00. Apricots—Spanish: 11-lb 2.00-3.50. Cherries—US: 18-lb, per lb 0.80; French: 11-lb 0.50-0.55; Italian: 0.55; Turkish: 0.60. Gooseberries—Hungarian: 5-kg 2.60. Grapes—Chilean: Almeria 11-lb 6.50, Red Emperor 5.50; Israeli: Perlette 9-lb 6.00. Melons—Israeli: Carmel Yellow 6/12 5.50; Chilean: 15-lb 8/12 8.00; white 8/12 5.00; Spanish: 10-kg Yellow 6.00. Water-Melons—Spanish: 4.50-5.00. Strawberries—U.S. 12 oz 1.00; Italian: 8 oz 0.28. Peaches—Spanish: Yellow 42/68 2.80-4.50; Italian: 22/48 D/Bs 2.50-4.50. Pineapples—Ivory Coast: Each 0.40-1.00; S. African: Shelford 5/8 2.80-3.20. Bananas—Colombian: Per lb 0.17-0.18. Avocados—Florida: 20/24 6.00; S. African: 14/16 4.00. Tomatoes—Dutch: 13-lb 4.20. Onions—Chilean: 7.50; Canary: 25-kg 8.00; Tasmanian: 44-lb 8.50; Israeli: Carmel 8.00; Spanish: Babosa 4/6 8.50; Texas: 50-lb 8.50; Egyptian: 25-kilo 8.50. Potatoes—Jersey: New, per lb 0.05; Cypriot: 44-lb bags 3.60; Brittany: Ostara 3.60, Dukes 55-lb 4.00; Canary: 25-kg 6.00; Italian: 55-lb 4.50. Capsicums—Spanish: 5-kg green 4.00, red 10.00. Chicory—Belgian: Per box 5.00. Celery—U.S. 24 jumbo pack 9.50. Fennel—Italian: 20-lb 6.00. Aubergines—Dutch: 5-lb 2.60. Carrots—Texas 48 x 1 lb pre-pack 0.20-0.21; Dutch: New 22-lb 4.50; Cypriot: 22-lb 3.20; Italian: 20-lb 3.40; French: Nantes 26-lb 4.50. Beetroots—Cyprus: New 28-lb 3.00. Broad Beans—French: 12-lb per lb 0.30.

English produce: Potatoes—Per 55-lb bag, old 2.50-3.40, new Kent 4.00-4.20. Mushrooms—Per lb 0.50-0.60. Apples—Per lb Bramleys 0.08-0.15. Cauliflowers—Per 12, Kent 3.50-4.50. Cabbages—Per bag 3.20, Spring 22-lb 2.40-2.80. Beetroots—Per bag 1.80-2.00. Lettuce—Per 12, round 1.20-1.50, Cos 10/12 1.80-2.00. Tomatoes—Per 12-lb 4.00, E 3.80. Radishes—Per pack of 12 x 8oz 1.50, bunches of 15 1.20. Onions—Per tray x 20 bunches, Spring 1.50. Celery—Per 15/24 5.50-6.00. Cucumbers—Per 10/20 1.40-1.60. Gooseberries—Per 12-lb 3.00.

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £3.00-£4.40, codlings £1.50-£2.80; large haddock £5.80-£6.40, medium £4.20-£5.00, small £2.40-£3.80; large plaice £4.00-£5.20, medium £4.00-£5.30, best small £3.20-£4.50. Skinned dogfish (large) £10.50-£11.50, (medium) £5.50-£8.50. Lemon soles (large) £7.50, (medium) £7.50. Rockfish £2.00-£2.70.

Growth in farm trade tension seen

THE HAGUE—Trade tensions between the EEC and the U.S. will develop in the coming years as the U.S. steps up its farm export drive and the EEC examines protectionist measures which may penalise U.S. agricultural products, Dutch Farm Minister Gerrit Braks said.

Mr Braks, chairman of the EEC Council of Agriculture Ministers, gave this warning after 10 days of talks on EEC agricultural matters here with Thai farm minister Anat Arbhabhirama, U.S. agriculture Secretary John Block and EEC farm ministers.

Mr Braks described Mr Block's recent European visit as valuable. Farm export policies were compared and mutual understanding reached.

EEC farm ministers and Mr Block agreed to set up permanent consultations between the EEC and the U.S. in future to try and ease growing tensions, he added.

The U.S. has been concerned by growing EEC grain exports, while EEC farmers say U.S. grain substitutes such as maize gluten replace EEC cereals in manufactured animal feeds leading to costly surpluses.

Progress in Pakistan talks

TALKS BETWEEN Mr P. V. Narasimha Rao, the Indian Foreign Minister, and his Pakistan counterpart, Mr Agha Shahi, began in Islamabad yesterday on an unexpectedly positive note.

This is the first time that leaders of the two nations, which have been suspicious of each other for more than three decades and have gone to war three times, have agreed in principle to a matter that could have far-reaching implications if translated into concrete agreements.

Such a possibility may not be immediately in sight, if only because issues like their conflicting assessments on Afghanistan and the U.S.'s decision to arm Pakistan continue to divide them. But the fact that the two Ministers are talking about their common interests opens up significant possibilities.

INDICES

FINANCIAL TIMES

June 8	June 4	Month ago	Year ago
251.39	250.62	255.64	267.66

(Base: July 1, 1952=100)

MOODY'S

June 5	June 4	Month ago	Year ago
1083.7	1081.1	1086.2	1131.7

(December 31, 1931=100)

DOW JONES

Dow Jones	June 5	June 4	Month ago	Year ago
Spot	387.06	386.70	394.59	418.40
Fut's	384.95	385.90	407.14	436.09

(Average 1924-25-26=100)

REUTERS

June 5	June 4	M'nth ago	Year ago
1762.7	1759.6	1685.9	1670.5

(Base: September 18, 1931=100)

LONDON STOCK EXCHANGE

More stable conditions return as sterling stages technical recovery—Long-dated Gilts lead movement

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
June 1	June 11	June 12	June 22
June 15	June 25	June 26	July 6
June 29	July 9	July 10	July 20

* "New-time" dealings may take place from 9.30 am two business days earlier.

Currency considerations continued to dominate London stock markets yesterday. An easing of the upward pressures on international interest rates following improved U.S. money supply figures last Friday helped to calm recent fears of a rise in Minimum Lending Rate and influenced a good technical recovery in the sterling exchange rate. The calmer mood benefited from the closure of many Continental financial centres and from the French call that European Community members should jointly persuade the U.S. to lower its excessively high interest rates.

The Gilt-edged market in consequence adopted a more stable appearance, although the rally was confined to longer-dated maturities. Small investment demand coupled with bear-closing contributed to gains here extending to ¾ which contrasted with fresh losses to ¼, after ⅜, among shorter-dated stocks. Support in a thin market lifted Treasury 2 per cent index-linked an above-average 1¼ to 97¼. Last month's wholesale price indices made little impression on sentiment, but today's banking statistics were eagerly awaited.

Leading equities began the second and final leg of the current trading Account in listless fashion. Investment activity was checked by the increase in political tension in both Eastern Europe and the Middle East with the result that many leading shares did little more than hover either side of Friday's closing levels until hardening after-hours. Trading announcements failed to have any lasting impact with Metal Box settling only 6 higher on balance at 196p after having been marked up to 206p immediately following the preliminary statement.

South African Gold shares swayed with the gyrations of the bullion price. Down sharply initially on the fall in gold, share prices later recovered and continued the movement in the after-hours' trade. The FT Gold Mines Index still closed at its lowest since April 13.

Reflecting the paucity of business in the equity market, interest in Traded Options was at a low ebb. Only 1,001 deals were arranged compared with Friday's 1,781. Most of the interest centred on calls which recorded 779 trades. Lonrho were again fairly active with 165 calls and 66 puts arranged.

Allied Residential made a subdued debut in the Unlisted Securities Market; placed at 35p, the shares opened at 37p and slipped back to 35p before closing at 36p.

Phoenix jump late

Ahead of today's tender offer by Allianz for a further 15 per cent of Eagle Star at a maximum price of 290p per share, the latter improved 3 to 283p. Other Composites attracted another good trade on hopes of further bid developments within the sector. Phoenix were particularly notable for a late spurt of 16 to 286p, while Sun Alliance touched 870p before closing 20 higher at 866p. General Accident put on 8 to 326p and GRE 6 to 304p, while Royals added 5 at 390p and Commercial Union 4 to 173p.

Unsettled by fears of an increase in interest rates. Hire Purchases drifted lower. Wagon Finance cheapened 2 to 40p as did Moorgate Mercantile, to 19p, while Cattles Holdings eased 1½ to 29½p and Sterling Credit lost the turn to 12p. Reflecting the recent weakness of gilts, Discounts were friendless. Union lost 10 at 455p while Gerrard and National softened 5 to 282p and Clive 2 to 35p. Among irregular merchant banks, Brown Shipley hardened 10 to 445p ahead of Thursday's preliminary results.

Comment on the preliminary figures prompted interest in Allied Breweries, which hardened a penny to 75½p. Bass, awaiting today's interim statement, closed a shade easier at 244p.

Already a penny off at 440p, Tunnel B held that level following the lapsing of T. W. Ward's offer; the latter closed a penny up at 130p. Ward announced that it now owns 38.58 per cent of the issued Ordinary share capital of Tunnel and 41.87 per cent of the votes. On Friday, RTZ increased its stake in Tunnel to 11.2 per cent of the B shares and 8 per cent of the votes. Also on the bid front, G. H. Downing, in receipt of a 200p per share cash offer from Hanson Trust, firmed 6 to 212p pending developments. Elsewhere, Wettern Brothers, a dull market since the poor results, jumped 12 to 70p on takeover hopes.

ICI hovered around Friday's close of 278p before late interest left the shares 4 dearer at 282p. Among other Chemicals, Leigh Interests remained unsettled by the chairman's profits warning and shed another 5 to 153p, but Novo Industries B, in brisk trading, touched £111 before closing 4½ points up at £110.

Currys better

Currys stood out in an otherwise drab Stores sector, rising 14 to 456p ahead of news from the AGM. MFI hardened 2½ to 59p and Owen Owen gained 5 to 255p. Down 19 last week on disappointing interim figures, Comet Radiovision remained friendless and eased 3 to 139p.

Early interest in the Electrical leaders petered out and most quotations closed a penny or so below the best. GEC ended 7 higher at 687p, while Plessey finished 4 up at 315p and Racal 3 dearer at 362p. Elsewhere, fresh profit-taking left Farnell 15 lower at 480p. Electrocomponents reacted a similar amount to 775p, while Telephone Rentals, 340p, and Unitech, 219p, lost 5 and 7 respectively. Press comment failed to benefit First Castle which eased 3 to 95p, but buying interest was shown in Pifco, 5 to the good at 188p.

Engineerings were inclined easier in subdued trading. Among the more noteworthy movements, scattered offerings left Matthew Hall 7 cheaper at 376p, while falls of 5 were marked against Hall, 178p, Spirax-Sarco, 147p, and Victor Products, 160p. Poor interim results left Camford 3 off at 21p. Against the trend, favourable weekend Press mention stimulated buying interest in Westland, which advanced 7 to 152p; the half-yearly results are due tomorrow.

Associated British Foods touched 143p before closing 3 up at 142p following the better-than-expected preliminary results. Tesco hardened a fraction to 58¼p; the annual results are due next week. Other leading Foods drifted back in thin trading. Associated Biscuit eased 3 to 69p and United Biscuits 4 to 114p, while Cadbury Schweppes softened a penny to 82p. Elsewhere, Bernard Matthews, an unsettled market of late on fears of French competition, came on offer again and lost 18 to 155p.

Savoy A rose 2 to 190p and the B ⅜ to £11⅜; Trusthouse Forte was thought to be buying in the market again yesterday.

Metal Box below best

The better-than-expected preliminary figures helped Metal Box to touch 206p before closing a net 6 higher at 196p. Other miscellaneous industrial leaders hardened in sympathy and Glaxo finished 4 dearer at 360p, while Beecham firmed 3 to 206p with the additional help of Press comment. Pilkington contrasted with a fall of 5 to 300p ahead of Friday's annual figures. Elsewhere, ICL hardened a penny to 38p, the year-£34m first-half deficit proving better than earlier pessimistic forecasts. Renewed speculative support helped Avon Rubber to rise 7 to 112p and Davies and Newman added 4 afresh to 137p following weekend Press mention. AGB Research put on 7 to 240p and Sothebys 8 to 503p. Adverse comment brought about a decline of 5 to 93p in Spring Grove Services and a reaction of a couple of pence to 235p in Sketchley; the latter's annual results are due today. Fading hopes about another suitor emerging following the abortive talks with London and Midland caused a fall of 9 to 96p in Polymark. The liquidation of speculative positions left Barget 17 off at 168p, while BTR lost 14 to 318p and Dwek met selling and fell 4½ to 7p. Still reflecting the poor first-quarter figures, Morgan Crucible lost 8 at 120p.

Travel concerns reflected the recent weakness of sterling and fears of foreign holiday price increases. Horizon Travel shed 9 to 254p and Saga 12 to 333p, while recently-issued Intasun gave up 4 to 83p compared with the issue price of 91p. Elsewhere in the Leisure sector, Associated shed 5 to 119p on talk that sales of video games were tailing off.

Motor Components barely stirred, but Garages occasionally improved. C. D. Bramall firmed 4 to 114p and Western Motor 5 to 90p, while Charles Hurst added a couple of pence to 45p.

Newspapers with North Sea interests reflected the recent dullness in the Oil sector and Daily Mail A shed 11 to 462p. Among Paper/Printings, David S. Smith improved 5 to 108p and Capseals 3 to 35p.

Properties closed a touch firmer in places following a small two-way business. Among secondary issues, Press comment drew attention to Westminster Property which firmed 1½ to 35p, but Pennine Commercial came on offer and shed 1½ to 9½p.

Tricentrol improve

Helped by early firmness on Wall Street, Oils finished the day on a quietly firm note. BP ended 4 higher at 364p and Shell a few pence harder at 354p. Lasmo steadied after the recent sharp reaction, closing 5 better at 525p. Weekend Press mention stimulated demand for Tricentrol, which put on 10 to 224p, while Premier closed a penny better at 64p following the preliminary results and proposed one-for-10 scrip issue. Kenmare held steady at 34p after news of the rights issue.

James Finlay featured Overseas Traders, rising 7 to 121p in response to comment ahead of Thursday's preliminary results. Warren hardened a couple of pence to 217p on the maintained dividend.

Among Trusts, Greenbank were lowered 10 to 168p following news of the agreed bid from Sturla Holdings, but favourable Press comment prompted a rise of 2 to 282p in Gresham House.

Textiles were inclined easier, Gaskell Broadloom closing 3 off at 65p and S. Lyles 2 lower at 58p. Against the trend, Davenport Knitwear responded to favourable Press mention with a rise of 8 to 168p.

Late rally in Golds

After falling heavily in initial trading with the bullion price dipping below the $460 level, South African Golds staged a substantial recovery in the afternoon. The improvement followed reports of an Israeli attack on a nuclear plant in Iraq. This prompted a sharp rise in the bullion price to around $475.

The gold sharemarket, which had been marked down sharply at the outset, rebounded on bear covering but still closed with heavy losses on the day.

The Gold Mines index, down 27 points prior to the reports on the Israeli attack, was finally 19.6 down at 333.2—its lowest level for two months.

In the heavyweights, falls of two points and more were common to Hartebeest, £28, after £27¾, Free State Geduld, £17⅞, after £17, and Western Holdings, £31, after £30. President Steyn rallied from £14½ to close a net £1⅞ off at £14¾, Vaal Reefs finished £1¼ down at £31⅜, after £30¾, and Western Deep a like amount cheaper at £20¼, after £20.

Medium and lower-priced issues were featured by Durban Deep, which gave up 77½ to 960p ahead of the dividend declaration.

Financials moved similarly to Golds. The London issues showed Charter 2 up on balance at 232p, after 227p, Gold Fields 7 down at 488p, after 477p, and RTZ 2 easier at 513p, after 507p. In South Africans, "Amgold" recovered from £40¾ to close ½ easier at £42, while GFSA gave up 4½ to £34¾.

Australians were quietly mixed and lacked a lead from overnight domestic markets which were closed for a public holiday. Adverse Press comment saw Pancontinental weaken further to close 15 off at a 1981 low of 410p.

Elsewhere, Geevor held steady at 128p; the results are expected tomorrow.

FINANCIAL TIMES STOCK INDICES

	June 8	June 5	June 4	June 3	June 2	June 1	A year ago
Government Secs.	65.37	64.94	66.05	67.19	67.27	67.84	66.28
Fixed Interest	67.17	67.25	67.72	68.52	68.74	68.81	68.75
Industrial Ord.	547.9	546.3	555.6	546.7	547.0	549.2	434.4
Gold Mines	333.2	352.8	353.4	353.6	356.8	357.2	339.9
Ord. Div. Yield	5.90	5.92	5.82	6.01	6.00	5.99	8.24
Earnings, Yld. % (full)	11.72	11.80	11.57	11.76	11.55	11.52	19.86
P/E Ratio (net) (*)	10.64	10.57	10.76	10.60	10.84	10.87	6.12
Total bargains	20,831	20,546	19,127	18,286	19,407	19,564	20,047
Equity turnover £m.	—	168.64	159.89	130.47	93.84	247.43	93.72
Equity bargains	—	15,849	15,181	14,212	15,427	15,658	13,999

10 am 547.4. 11 am 547.3. Noon 546.1. 1 pm 545.6.
2 pm 545.9. 3 pm 546.9.
Latest Index 01-246 8026.
*Nil=9.85.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/5)	64.94 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/5)	67.17 (8/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind.Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (16/1)	281.4 (28/1)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	June 5	June 4
—Daily		
Gilt Edged Bargains	198.6	168.4
Equities Bargains	102.7	98.4
Value	340.9	323.2
5-day Avrge.		
Gilt Edged Bargains	168.5	161.2
Equities Bargains	98.9	101.0
Value	344.2	333.6

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (91)

FOREIGN BONDS (1)
AMERICANS (23)
CANADIANS (8)
BANKS (3)
BEERS (4)
CHEMICALS (2)
DRAPERY AND STORES (3)
ELECTRICALS (3)
ENGINEERING (5)
FOODS (1)
INDUSTRIALS (13)
INSURANCE (4)
MOTORS (2)
PAPER (2)
PROPERTY (2)
TRUSTS (10)
OIL AND GAS (1)
OVERSEAS TRADERS (1)
MINES (3)

NEW LOWS (80)

BRITISH FUNDS (13)
CORPORATION LOANS (12)
LOANS (1)
FOREIGN BONDS (3)
CANADIANS (1)
BANKS (5)
ELECTRICALS (4)
ENGINEERING (1)
FOODS (1)
INDUSTRIALS (7)
LEISURE (1)
MOTORS (3)
PROPERTY (4)
TRUSTS (3)
OIL AND GAS (15)
MINES (6)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	71	13	12
Corpns., Dom. and Foreign Bonds	3	22	42
Industrials	160	427	780
Financial & Props.	71	161	262
Oils	21	41	26
Plantations	1	5	17
Mines	13	79	74
Others	55	63	65
Totals	395	811	1,278

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Assoc. Brit. Foods	142	+ 3	Racal Electronic	362	+ 3
Avon Rubber	112	+ 7	RTZ	513	− 2
Finlay (James)	121	+ 7	Sketchley	235	− 2
GEC	687	+ 7	Spring Grove	93	− 5
Metal Box	196	+ 6	West Drie.	£39⅛	− ⅞
Plessey	315	+ 4	Westland	152	+ 7

FRIDAY ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Fri.'s closing price pence	Day's change	Stock	No. of price changes	Fri.'s closing price pence	Day's change
GEC	20	680	−15	Plessey	14	311	− 9
ICI	20	278	−12	Roy Ins.	14	385	−11
GRE New	17	52pm	+ 4	Bowater	13	264	− 2
Racal Elect.	15	359	−11	Brit. Aerospace	13	230	− 6
Allied Brew.	14	74½	—	Comm. Union	13	169	− 2
Beecham	14	203	− 3	Hanson Tst.	13	275	− 9
Cawoods	14	212	−22	LASMO	13	520	−26

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 8	June 19	Sept. 10	Sept. 21
June 22	July 3	Sept. 24	Oct. 5
July 6	July 17	Oct. 8	Oct. 19

For rate indications see end of Share Information Service

Money was given for the call of ICI, Transparent Paper, Tozer Kemsley, Mersey Docks Units, Burmah Oil, Premier Consolidated, Charterhall, Guest Keen, Glynwed, T. W. Ward, Rothmans, Pilkington Bros., Tubes, Mersey Docks, ICL and French Kier. No puts were reported but double options were arranged in Shell, P & O Deferred and Lasmo.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon., June 8, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri. June 5 Index No.	Thurs. June 4 Index No.	Wed. June 3 Index No.	Tues. June 2 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	344.09	−0.4	10.96	4.55	11.25	345.30	348.78	346.09	345.59	231.61
2	Building Materials (25)	300.17	−0.4	14.96	5.85	8.00	301.33	301.81	301.51	301.37	230.66
3	Contracting, Construction (28)	560.75	−1.7	16.57	5.03	7.07	570.23	572.31	577.15	577.58	340.89
4	Electricals (28)	1077.78	+0.5	8.04	2.44	15.47	1072.40	1094.33	1081.23	1081.54	613.20
5	Engineering Contractors (11)	485.47	−0.9	12.36	5.56	9.74	489.99	489.06	488.01	486.54	282.57
6	Mechanical Engineering (70)	213.01	+0.1	13.34	5.73	9.35	212.89	214.84	213.08	212.50	154.47
8	Metals and Metal Forming (13)	162.52	−0.5	9.70	7.34	13.44	163.36	164.28	163.81	162.92	152.11
9	Motors (21)	102.79	−0.5	4.77	7.08	53.33	103.31	105.35	105.26	105.25	95.43
10	Other Industrial Materials (18)	369.75	−2.5	10.28	5.39	11.65	379.38	377.42	371.14	368.76	0.00
21	CONSUMER GROUP (195)	280.91	−0.2	12.86	5.69	9.48	281.34	285.08	281.53	280.23	215.46
22	Brewers and Distillers (20)	315.91	+0.4	14.57	6.01	8.16	314.59	315.92	313.04	310.95	273.11
25	Food Manufacturing (21)	255.19	−0.8	15.13	6.42	7.97	257.29	259.41	253.22	251.65	192.78
26	Food Retailing (14)	516.84	−1.1	9.65	3.41	12.32	522.40	526.41	522.77	519.11	314.08
27	Health and Household Products (7)	325.29	+0.8	8.52	4.50	13.99	322.77	326.22	316.70	307.84	199.73
29	Leisure (22)	426.96	−0.2	11.83	5.16	10.25	427.95	437.16	433.98	432.70	307.67
32	Newspapers, Publishing (12)	509.77	−0.8	11.65	5.57	12.10	514.00	516.33	517.70	515.71	408.90
33	Packaging and Paper (13)	151.76	+0.4	16.28	7.57	7.25	151.14	151.56	148.42	149.39	126.35
34	Stores (44)	266.70	—	10.79	4.96	12.18	266.66	273.44	273.81	274.47	208.88
35	Textiles (23)	158.66	−0.9	8.83	5.71	15.00	160.04	162.46	158.22	158.11	117.16
36	Tobaccos (3)	261.85	−0.6	22.09	9.48	5.20	263.53	265.12	258.60	258.59	204.40
39	Other Consumer (16)	298.18	−0.7	10.12	6.37	13.56	300.27	302.74	301.14	301.20	0.00
41	OTHER GROUPS (79)	229.05	−0.2	13.46	6.60	9.04	229.47	233.36	230.46	230.90	203.45
42	Chemicals (15)	284.49	+0.9	11.44	7.30	10.92	282.08	289.89	285.05	286.63	296.52
44	Office Equipment (6)	115.27	−0.7	16.01	7.26	7.37	116.08	118.19	113.92	113.39	107.55
45	Shipping and Transport (13)	566.33	−0.4	16.01	6.38	7.48	568.32	568.16	565.21	565.31	516.71
46	Miscellaneous (45)	296.25	−1.1	14.14	5.72	8.52	299.64	302.96	301.67	301.73	244.77
49	INDUSTRIAL GROUP (488)	295.41	−0.2	12.22	5.38	10.01	296.09	299.77	296.60	295.83	222.79
51	Oils (12)	756.83	+0.9	23.55	7.43	4.71	749.90	771.78	770.41	781.32	805.80
59	500 SHARE INDEX	332.50	—	14.17	5.73	8.39	332.62	337.70	334.64	334.74	268.63
61	FINANCIAL GROUP (118)	253.70	+0.2	—	5.75	—	253.29	256.66	253.59	251.11	200.85
62	Banks (6)	248.68	−0.6	36.75	7.29	3.17	250.12	252.59	250.85	249.30	218.28
63	Discount Houses (10)	274.99	−1.6	—	8.20	—	279.46	281.98	281.98	282.87	249.82
64	Hire Purchase (3)	254.10	−1.3	12.89	7.15	10.85	257.49	261.55	264.78	264.36	282.97
65	Insurance (Life) (10)	258.39	+0.1	—	5.85	—	258.02	264.03	260.43	254.51	191.56
66	Insurance (Composite) (9)	169.31	+2.1	—	7.52	—	165.78	167.37	162.00	159.88	128.88
67	Insurance Brokers (8)	399.35	−0.3	11.01	5.81	12.49	400.67	409.64	380.74	375.94	301.46
68	Merchant Banks (13)	165.43	−0.5	—	4.84	—	166.26	167.45	166.26	165.01	107.34
69	Property (49)	465.30	−0.3	3.81	2.97	36.19	466.50	474.62	480.16	477.48	377.62
70	Miscellaneous (10)	174.26	−0.7	18.14	5.94	6.69	175.49	175.32	171.81	170.12	127.78
71	Investment Trusts (109)	306.32	−0.1	—	5.13	—	306.64	306.19	304.23	304.56	221.45
81	Mining Finance (3)	251.31	−0.7	13.64	5.34	8.59	252.97	255.61	257.66	261.28	194.74
91	Overseas Traders (20)	463.99	+0.7	10.82	6.40	11.57	460.87	462.47	462.89	470.40	369.29
99	ALL-SHARE INDEX (750)	316.48	—	—	5.70	—	316.49	320.76	317.96	317.73	252.57

FIXED INTEREST

	PRICE INDICES	Mon. June 8	Day's change %	Fri. June 5	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	106.16	−0.14	106.57	0.25	4.82
2	5-15 years	104.85	+0.60	104.67	0.45	5.23
3	Over 15 years	107.78	+0.65	107.60	0.51	5.44
4	Irredeemables	117.89	+0.82	116.93	—	6.46
5	All stocks	105.91	+0.39	105.90	0.40	5.15
6	Debentures & Loans	83.09	−0.31	83.34	—	4.89
7	Preference	63.09	−1.16	63.84	—	3.29

	AVERAGE GROSS REDEMPTION YIELDS		Mon. June 8	Fri. June 5	Year ago (approx.)
	British Government				
1	Low	5 years	12.47	12.53	12.85
2	Coupons	15 years	13.04	13.15	12.04
3		25 years	13.15	13.27	12.04
4	Medium	5 years	14.66	14.65	13.70
5	Coupons	15 years	14.88	14.99	13.73
6		25 years	14.49	14.58	13.61
7	High	5 years	14.67	14.64	13.88
8	Coupons	15 years	15.09	15.19	14.04
9		25 years	14.67	14.73	13.94
10	Irredeemables †		12.49	12.59	11.40
11	Debs & Loans	5 years	15.44	15.38	14.56
12		15 years	15.44	15.39	14.50
13		25 years	15.44	15.39	14.43
14	Preference †		15.74	15.56	15.78

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p‡	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
—	F.P.	—	£27	£21½	Allegheny Int. Inc.	£26¾	−¼	Q$1.40	—	2.5	—
35	F.P.	—	37	35	Allied Residential 10p	36	......	b2.45	2.0	9.2	7.5
‖ ‖	F.P.	—	£21¼	£16¼	Amdahl	£20½	−¾	Q 40c	—	0.9	—
85	F.P.	24/6	140	105	✻Business Comp Syst	128	−1	u1.0	6.7	1.1	18.8
§90	F.P.	15/5	135	89	✻Consultants 10p	128	......	—	—	—	—
475	F.P.	10/7	500	475	Energy Res. & Services	475	−15	—	—	—	—
10	F.P.	27/5	14	13	F'st Charlotte Ast Tst	13	......	—	—	—	—
100	F.P.	22/5	111	102	G.T. Global Rec. Inv Tst	103	......	—	—	—	—
‖ ‖	F.P.	—	62	53	✻Harvey & Thompson	55	......	g2.24	1.1	5.8	21.6
¶91	F.P.	5/6	96	83	✻Intasun	83	−4	g2.6	4.3	4.8	6.1
$12	F.P.	—	630	615	Mexico Fund	630	......	—	—	—	—
100	F.P.	—	107	98	Murray Technology	104	+2	—	—	—	—
‖ ‖	F.P.	—	8½	5½	✻Reliant Motors	8	−½	—	—	—	—
‡44	F.P.	30/6	58	50	✻Selec TV	50	−1	—	—	—	—
25	F.P.	29/5	25	20	Stone Platt Cnv Cm Pf	22½	−½	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price £	+ or −
100 ‖	Nil	—	1¼pm	¼pm	BOC 9% Cnv. Uns. Ln. 2001-6	1¼pm	+¾
¶	F.P.	26/6	25p	16p	BPC 7.75% Non. Cum. Prf.	23p	+½
¶	F.P.	18/6	101½	99	Cambridge Water 8% Prf. 1986	99	−1½
100 ‖	F.P.	8/6	101½	94	Crouch Gp. 9% Con. Uns. Ln. '95-96	99	−½
99.87	£30	16/7	29¾	26½	Finland 14½% Ln. 1986	26¾	+¼
99.486	£30	25/6	29½	26	International Bk. 13⅛% Ln. 1986	25	−¾
100 ‖	F.P.	3/6	110¼	102½	Laing Props 8¾% Cnv. Uns. Ln. 2000-05	102½	−5
99	F.P.	27/8	99	95½	Newcastle Water 7¾% Red. Pref. 1986	95½	−1½
£1 ‖	F.P.	12/6	107p	100p	Norton (WE) 11% Cnv. Cum. Rd. Prf.	100p	−1
• •	F.P.	—	91p	90p	Paterson Zochonis 10% Cum. Pref.	91p	......
96¾	£20	7/7	20	13¾	Petroleos Mex. 14½% Ln. Due. 2006	13¾	−¼
£1 ‖	F.P.	8/6	120	112	Phicom 8% Cum. Con. Red. Pref.	112	−2
• •	F.P.	—	91¾	90	Photax 11% Cum. Pref.	90	......
£1 ‖	Nil	12/5	6ppm	1ppm	Rexmore 13% Cnv. Cum. Red. Prf. 1981-82	1ppm	−1
¶98	£10	—	8½	8½	Sund. & S. Shields Water 8% Red. Prf. '87	8½	......
96¾	F.P.	—	98½	90¾	Swansea (City of) 13½% Red. 2006	90¾	−2
25p ‖	F.P.	17/6	35p	25p	Weir Group 10% Red Cum Part. Conv. Prf.	35p	+1

"RIGHTS" OFFERS

Issue Price p‡	Amount paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1981 High	1981 Low	Stock	Closing prices p‡	+ or −
Ir120	Nil	—	—	16pm	13pm	Allied Irish	13pm	......
64	F.P.	1/6	10/7	87	81	Amal. Power Eng.	87	......
190	F.P.	1/6	13/7	222	209	Barratt Devs.	212	−6
380	F.P.	4/6	3/7	458	438	Bestobell	458	+5
66	F.P.	26/5	19/6	86	79	Brit. Car Auction	81	......
25	F.P.	22/5	3/7	34	31	Brit. Dredging	32	−1
77	F.P.	5/6	3/7	84	80	Cadbury Schweppes	82½	−1½
60	F.P.	—	—	56	40	Change Wares Units	45	+5
600	Nil	19/6	15/7	450pm	500pm	Comm. Bk. of Near East	500pm	......
150	Nil	17/6	15/7	6pm	2pm	Elbar	6pm	......
85	Nil	12/6	11/8	12½pm	8½pm	Fine Art	11½pm	−1
98	F.P.	22/5	26/6	102	90	Floyd Oil	90	......
95	F.P.	18/5	12/6	155	152	Fothergill & Harvey	152	−5
250	Nil	17/6	24/7	56pm	19pm	G.R.E.	56pm	+4
105	P.P.	—	—	101	66	Hong Kong & Shanghai Bank	99	−1
205	F.P.	8/6	24/7	266	247	Horizon Travel	256	−10
‖	F.P.	15/5	24/6	102	95½	Lond'n Shop Pr'p 8% Cnv 84-89	95½	......
315	Nil	—	—	28pm	28pm	Lyle Shipping	28pm	......
138	F.P.	22/5	19/6	176	158	Mowlem (J.)	168	−2
70	Nil	17/6	24/7	8½pm	5pm	Northern Engineering	5pm	−1
Ir165	F.P.	7/5	11/6	170	157	Rohan Group	170	......
160	F.P.	15/5	12/6	176	158	Rowntree Mackintosh	166	−2
131	F.P.	8/6	3/7	156	141	Smurfit (Jefferson)	152	......
6	P.P.	6/5	21/9	11½	6½	Sterling Credit	9	−¼
30	F.P.	5/6	26/6	39	36	Western Selection	36	−2

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✱ With warrants. †† Dealings under special Rule. ✻ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip.

هكذا من الأصل

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Craigmount Fixed Int. Mngrs. (Jersey)
P.O. Box 195, St. Helier, Jersey. 0534 27561
Gilt Fund (Jsy.) 93.2 93.3xd 14.47
Valued weekly Wednesday.

DWS Deutsche Ges. F. Wertpapiersp
Gruneburgweg 113, 6000 Frankfurt
Investa DM32.60 34.25 ...... —

Delta Group
P.O. Box 3012, Nassau, Bahamas
Delt. Inv. May 26 $4.93 5.18 ...... —
London Agents: Kleinwort Benson. Tel: 01-623 8000

Deutscher Investment-Trust
Postfach 2685 Biebergasse 6-10 6000 Frankfurt
Concentra DM17.06 17.51 ...... —
Int. Rentenfonds DM62.62 64.19 ...... —

Dreyfus Intercontinental Inv. Fd.
P.O. Box N3712, Nassau, Bahamas.
NAV June 2 US$32.56 35.06 ....

Duncan Lawrie Inv. Mgt. (Jersey)
15-17, New St., St. Helier, Jersey 0534 73637
DL Sterling 38.9 40.8 ...... 7.20
DL International $1.34 1.41 ...... 5.30

Emson & Dudley Tst. Mgt. Jrsy. Ltd.
P.O. Box 73, St. Helier, Jersey. 0534 73933
E.D.I.C.T. 162.0 173.8 −2.4 2.20

The English Association
4 Fore Street, EC2. 01-588 7081
E.A. Income Fund* 66.1 70.4 ...... 7.10
E.A. Sterling* 68.82 68.87 ...... —
E.A. Equity* 70.64 75.19 ...... 1.66
Wardgate Cm. Fd.** 17.20 17.80 ...... 2.79
*Next dealing June 10. **Next dealing June 30.

Eurobond Holdings N.V.
Pietermaai 15, Willemstad, Curacao.
London Agents: Intel 15 Christopher St., EC2.
Tel: 01-247 7243. Telex 8814408.
Euro Hldgs. US$20.01 20.61 ...... 10.66

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse, London Wall EC2M 5TA. Tel. 01-920 0776 Telex 887281
Europe-Obligations US$42.28 ...... 1.94

F & C Mgmt. Ltd. Inv. Advisers
1, Laurence Pountney Hill, EC4. 01-623 4680
F&C Atlantic Fd. SA US$12.38 −0.38 1.18
F. & C. Oriental Fd. US$23.86 +0.61 0.43
Prices June 3. Weekly dealings.

Fidelity International Ltd.
P.O. Box 670, Hamilton, Bermuda.
8, Queensway Hse., Queen St., St. Helier, Jersey, C.I. 0534 71696
American Assets US$44.26 +0.19 1.13
Am. Vals. Cum.Pf. $3* $101.50 ...... —
American Vals. Com.* $18.69 ...... —
Dollar Savings Trust US$80.09 +0.12 16.94
Far East US$33.36 ...... —
International US$47.25 ...... —
Pacific US$114.94 ...... —
World US$26.43 ...... —
Gilt Fund 22.1 22.3 −0.1 14.01
*Prices at May 31

[illegible]

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	65.4	70.3	+0.6	2.05
Abbey Capital	50.5	54.0	-0.7	4.02
Abbey General	58.8	63.6	-0.9	4.87
Abbey Gilt & F.I. Tst.	99.7	104.9xd	+0.1	12.49
Abbey Income	[illegible]	49.3	-0.3	8.30
Abbey W'wide Tst.	94.1	99.6xd	+0.2	6.73
Abbey Inv. Tst. Fd.	53.3	57.6	.....	4.77
Equitas Prog. Tst.	85.9	90.7xd	-1.1	4.51

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt Trust	83.0	87.6xd	+0.2	13.03

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	93.9	100.5	-1.3	5.57
Brit. Inds. Fund	79.9	85.5xd	-1.0	5.52
Growth & Income	54.6	58.4	-0.5	4.28
Elect. & Ind. Dev.	47.2	50.5	-0.4	4.95
Allied Capital	101.7	108.8	-1.4	4.04
Hambro Fund	136.9	146.5xd	-1.9	5.67
Hambro Acc. Fund	191.8	205.2	-2.9	4.00

Income Funds

High Yield Fd.	71.9	76.9	-0.8	7.80
High Income	85.2	91.2	-1.1	7.04
Equity Income Fd.	49.2	52.6	-0.6	6.56

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	37.8	41.3	-0.6	11.00
North American	74.9	80.9	+0.1	2.09
Canadian Exempt*	75.3	80.7xd	.....	2.82
Canadian Trust	74.1	80.1xd	-0.7	2.19
Int'l Mngd High Inc.*	50.0	52.9	.....	9.10
Recovery	58.8	64.3	-0.8	6.68
Gilt Trust	50.2	52.1xd	+0.1	13.71

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	59.9	64.9	+0.3	0.46
Cres. Internat'l.	94.6	102.1	-0.5	1.52
Cres. High. Dist.	45.5	49.1xd	-0.2	9.67
Cres. Reserves	52.6	56.8	-0.7	5.17
Cres. Tokyo	38.9	42.0	-0.4	0.38

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.7	25.1xd	.....	8.49

Discretionary Unit Fund Managers
36/38 New Broad St., EC2M 1NU. 01-638 4485

Disc. Inc. May 29	258.9	276.1xd	.....	4.83

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	19.9	22.0	.....	7.48
Gt. Winchester O'seas.	30.5	32.8	.....	2.98

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	95.4	100.4	-1.0	4.32

Fidelity International Management Ltd.

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP.

Local Authorities' Mutual Invest. Tst.
77, London Wall, EC2N 1DB.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ.

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

High	Low	Stock	Price £	+ or -	Int.	Red.
95	92¼	Aust. 5½pc '81-82	94¼	-¼	5.90	14.29
87½	83½	Do. 6pc 1981-83	83½xd	.....	7.18	14.06
67¼	60	N.Z. 7¼pc 1988-92	60xd	.....	11.97	14.50
81¼	75½	Do. 7½pc '83-86	75½xd	.....	9.90	14.42
141	115	S. Rhod. 2½pc Non-Ass.	136	.....	—	—
59	43	Do. 3½pc 80-85 Assd.	52	.....	6.83	20.60
40	26	Do. 4½pc 87-92 Assd.	35	.....	13.42	19.63
395	333	Zimbabwe Ann (£100pa)	375xd	.....	—	21.47

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

1981 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
40	32	Acmex 50c	40	......	02.5c	—	3.5
34	14	ACM 20c	33	......	—	—	—
21	14	Argosy Gold NL 25c	17	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible] dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	40	−1			
Bertam	13	......	Conv. 9% '80/82	£92⅞	......
Bdg'wtr. Est. 50p	450	−5	Nat. 9¾% 84/89	£74	......
Craig & Rose £1	£11½	......	Fin. 13% 97/02	£79	......
Fife Forge	66	......	Alliance Gas	77	......
Finlay Pkg. 5p	21	......	Arnott	235	......
Graig Ship. £1	£22½	+½	Carroll (P.J.)	88	......
Higsons Brew	73	......	Concrete Prods.	90	......
Holt (Jos) 25p	480xd	......	Heiton (Hldgs.)	28	......
I.O.M. Stm. £1	158	......	Ins. Corp.	420	......
Pearce (C. H.)	950	......	Irish Ropes	50	−3
Peel Hldgs.	100	......	Jacob	56	......
Sheff. Refrshmt	99	......	T.M.G.	15	......
Sindall (Wm.)	188	......	Unidare	100	......

(Irish column headed IRISH.)

OPTIONS

3-month Call Rates

[illegible]					
Guardian	30	Tube Invest.	18	Cons. Gold	45
G.K.N.	15	Turner & Newall	10	Lonrho	9
Hawker Sidd	25	Unilever	50	Rio T. Zinc	45

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES

Tuesday June 9 1981

British Rail likely to lose £100m this year

By Philip Bassett and Lynton McLain

BRITISH RAIL is likely to make a loss this year of about £100m, mainly because the recession has resulted in a sharp fall in expected revenue. It is planning to ask the Government for "bridging" aid of an as yet undisclosed amount.

Revenue from its two major operations, passenger and freight, is expected to be about £100m less than budgeted for, because of the effects of the recession.

Despite extensive marketing efforts, passenger receipts are expected to be below budget for the year by as much as £72m. *There has been a much greater* resistance to the near-20 per cent fares increase in November than was expected. This has led to a significant drop in volume of some £35.7m.

On the freight side, which *contributed heavily to the* £76.9m loss for 1980 announced earlier this year, the slight recovery expected by BR has also failed to materialise. As a result, receipts are likely to be below budget by about £27m.

Most of these figures were disclosed yesterday in BR evidence to a tribunal on this year's pay increase for its 177,000 railway workers.

BR said: "The board has already taken the decision with reluctance to cut back on the restricted investment programme and other more dramatic measures are being considered, including further sales of assets."

Last week, the board announced plans for involving private capital of three of its major hotels.

The overall loss forecast was made by Mr Bob Reid, BR's managing director, writing in BR's journal. He also expected that BR would exceed its £920m external financing limit by a similar amount.

Consequently, according to the evidence to the tribunal, "the board will have to seek further Government bridging aid."

BR already has an application with the Government for a further tranche of up to £775m over 20 years to more than *duoble the amount of its electri*fied track, and another £720m over 10 years for asset renewal.

The major factors appears to have been the loss-making "social" services, such as those in rural areas and some commuter lines. Private BR forecasts show that the £708m cash limit of the public service obligation grant from the Government for such social services will be exceeded by £47m. *The grant forms a major part* of the total external financing limit.

Pay offer is 'upper limit,' Page 11:
State chairmen's pledge on funds, Page 10

Weather

UK TODAY

SHOWERS, heavy in places. Sunny intervals. Cool.

S.E., E., Cent. N., N.E. England, E. Anglia, Midlands E., Lake District, Borders Cent. Highlands, S.W., N.W., N.E. Scotland, Orkney, Shetland, Ulster

Sunny intervals. Showers, some heavy. Max. 17C (73F).

Rest of UK

Frequent showers, some heavy. A few bright intervals later. Max. 13C (55F).

Outlook: Cool. Showers dying out.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	23	73	L. Ang.†	C	18	64
Algiers	S	27	81	Luxmbg.	C	19	66
Amsdm.	C	19	66	Luxor	S	38	100
Athens	S	24	75	Madrid	S	31	88
Bahrain	S	34	93	Majorca	S	30	86
Barcina.	S	25	77	Malaga	S	24	75
Beirut	S	26	79	Malta	S	26	79
Belfast	C	16	61	M'chstr.	C	15	59
Belgrd.	F	22	72	Melbne.	F	11	52
Berlin	F	23	73	Mx. C.†		—	—
Biarritz	S	28	82	Miami†	C	28	82
Bmghm.	C	16	61	Milan	S	28	82
Blackpl.	C	16	61	Montrl.†	S	13	55
Bordx.	S	26	79	Moscow	C	23	73
Boulgn.	C	16	61	Munich	R	20	68
Bristol	C	16	61	Nairobi	C	23	73
Brussels	C	19	66	Naples	S	25	77
Budpst.	F	24	75	Nassau		—	—
Cairo	S	35	95	Nwcstl.	R	18	64
Cardiff	C	16	61	N. York†	S	17	63
Cas'b'ca	C	21	70	Nice	S	22	72
Cape T.	S	19	66	Nicosia	S	29	84
Chicg.†	F	24	75	Oporto	C	19	66
Cologne	C	23	73	Oslo	R	13	55
Cpnhgn.	C	17	63	Paris	R	18	64
Corfu	S	28	82	Perth	R	12	54
Denver†	F	14	57	Prague	R	20	68
Dublin	F	15	59	Rykjvk.	R	6	43
Dbrvnk.	S	25	77	Rhodes	S	29	84
Ednbgh.	C	11	52	Rio J'o†		—	—
Faro	S	29	84	Rome	S	26	79
Florence	S	27	81	Salzbrg.	R	21	70
Frankft.	C	22	72	S'cisco†	F	16	61
Funchal	C	23	73	S. Mrtz.		—	—
Geneva	C	23	73	Singapr.		—	—
Gibrltr.	S	28	82	S'tiago†		—	—
Gl'sg'w	R	13	55	Stckhm.	F	17	63
G'rnsey	C	13	55	Strasbg.	R	20	68
Helsinki	S	18	64	Sydney	F	16	61
H. Kong	S	28	82	Tangier		—	—
Innsbrk.	C	19	66	Tel Aviv	F	26	79
Invrnss.	C	13	55	Tenerife	S	25	77
I.o.Man	F	13	55	Tokyo	S	25	77
Istanbul	S	28	82	T'ronto†	F	13	55
Jersey	C	16	61	Tunis	S	30	86
Jo'burg	S	11	52	Valencia	S	29	84
L. Plms.	F	23	73	Venice	S	25	77
Lisbon	C	22	72	Vienna	S	25	77
Locarno	C	22	72	Warsaw	S	24	75
London	C	17	63	Zurich	C	20	68

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT. temperatures.

Industrial costs rising before pound plunged

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

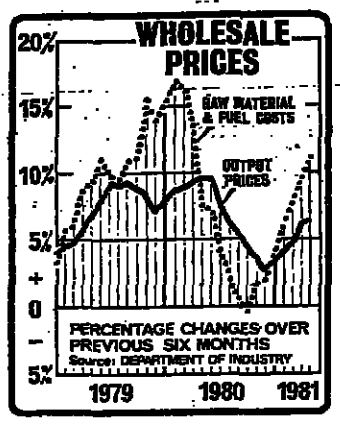
THE COST of British industry's raw materials and fuel was already rising sharply as a result of the fall in the value of sterling against the dollar before last week's big slide in the pound.

Department of Industry figures published yesterday show that the index of materials and fuel costs rose by 2.2 per cent between April and May *bringing the increase in the* last three months to 5.6 per cent. A further sharp rise is certain this month.

This acceleration will not be reflected immediately either in wholesale output prices or in retail prices. This is partly because of time lags in the production process but also because of the impact is likely to be offset by the halving in the rate of growth of manufacturing earnings in the current pay round.

The overall implication is that the 12-month rate of retail price inflation is likely to remain around the current level of 11 and 12 per cent and that *any slowdown into single figures* has been postponed into the unforeseeable future.

City analysts have been busy revising their inflation estimates upwards, though few expect a significant re-acceleration.



The outcome will depend on what happens to sterling, whether industry passes on the higher costs fully in the form of increased prices and whether this triggers larger pay claims.

In detail, the latest figures show that the index of materials and fuel costs rose by 11.1 per cent in the six months to May to 226.0 (1975=100) after an increase of only 1.5 per *cent in the previous six months.* The 12-month rate of increase jumped from 9.3 per cent in April to 12.8 per cent in May.

Many world commodities are priced in dollars so that a fall in sterling against the U.S. currency has a particularly big impact, though it may be partly offset by the current weakness of the dollar price of these commodities.

Nearly three-quarters of last month's rise in the costs index can be attributed to the higher sterling price of crude oil alone and the current level of sterling is already 7 per cent below last month's average figure.

The index for prices of manu*factured products in the home* market rose by 0.6 per cent between April and May to 219.0 (1975=100). Nearly a quarter of the increase was caused by higher prices for petroleum products.

The rate of growth of this index has picked up from the low levels of last autumn, partly because of the indirect tax rises after the Budget, but the trend rise remains modest even though the period of rapid slowdown is over.

In the past six months this index has risen by 6.2 per cent after an increase of 3.6 per cent in the previous six months.

After excluding the food, *drink and tobacco sectors*, the prices of manufactured products rose by 0.8 per cent last month. The material costs of non-food companies jumped by 3 per cent, mainly because of the increased cost of crude oil.

Retail trading slackens, Page 8

ICL has six-month loss of £33.9m

By Jason Crisp

ICL, Britain's troubled computer company, had pre-tax losses of £33.9m in the six months to the end of March.

Mr Christophor Laidlaw, the new chairman, said yesterday that his predecessor's prediction that the company would break even in the second half of the year was too optimistic because of the continuing recession.

Closing the factory at Winsford, Cheshire, and 2,500 redundancies announced last November cost £14.6m. The first half loss totalled £50.6m.

The rationalisation programme announced on Friday, which includes cutting a further 5,200 from the workforce of 30,000, is likely to cost £40m.

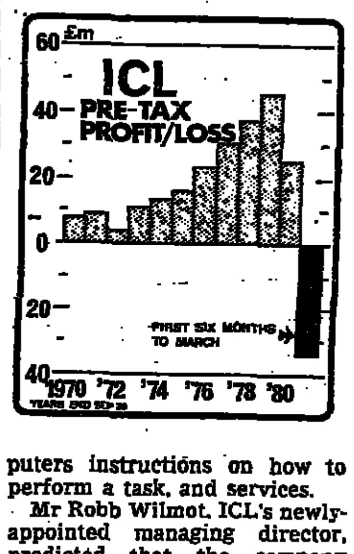
The company, which is trying to impose a pay freeze, will pay no interim dividend.

The main problem has been in sales of computer hardware. Shipments of computers across the range were down 15 per cent, Mr. Laidlaw said.

The company's turnover was £318.4m for the six months, down 8 per cent on the same period a year before. Almost all the fall in sales was in Europe, including the UK.

Outside Europe sales rose, especially in Australia and South Africa. Though Mr Laidlaw was pessimistic about the short-term future, he expected sales to pick up next year, and the recession to end.

While sale of computers fell, there was "considerable growth" in software, which give com-



puters instructions on how to perform a task, and services.

Mr Robb Wilmot, ICL's newly-appointed managing director, predicted that the company would have to expand its product range both to gain new business and to provide more equipment to customers.

The large "blue-chip" companies, he said, would be mainly interested in office automation, *which would probably be intro*duced by the company's data-processing departments.

Because of ICL's large mainframe computers, many of its customers are companies of the size which would be most interested in the so-called "office of the future."

Mr. Laidlaw said that the company would have to do something about its high levels of borrowing.

Details, Page 24; Editorial Comment, Page 22

Profit-taking spurs sterling

BY DAVID MARSH

STERLING gained ground on the foreign exchanges yesterday, closing in London at $1.9410. This was 1.2 cents up on Friday and 2.2 cents higher than its closing level in New York last week.

The rally came as currency operators took profits after sterling's plunge last week. The pound also rose against continental currencies, and its trade-weighted index rose to 94.7 from 93.8 on Friday.

The dollar was generally lower, depressed by a fall of up to 1 percentage point in Eurodollar interest rates after *publication of lower than* expected U.S. money supply figures late on Friday.

The pound's recovery spurred a rise of £½ to £¾ in long-dated UK government bond prices, which fell heavily last week. But London money market rates were slightly firmer amid continued nervousness about a possible rise in minimum lending rate to support sterling.

The Government is still adopting an unruffled attitude to the sudden currency weakness, and the clearing banks say they are facing no pressure to increase base rates.

***This is in spite of another* ⅛ point increase to 13$\frac{7}{16}$ in the key three-month interbank money market rate yesterday. Shorter-term rates, however, were steady, reflecting relatively buoyant liquidity at the short end of the market.**

With trading reduced by the Whit Monday holiday in Europe, the dollar fell to DM 2.4075 from DM 2.4095 and to SwFr 2.1250 from SwFr 2.1370, but it rose against the yen to Y228.10 from Y227.80.

The London gold price went up $11 to $472.50 as buying strengthened after the Israeli attack on an Iraqi nuclear installation.

Money Markets, Page 36

Ward's offer for rival Tunnel lapses

BY RAY MAUGHAN

THE OFFER by the industrial group Thos. W. Ward, for the rival cement manufacturer Tunnel Holdings lapsed on the final closing date yesterday in the face of determined buying of Tunnel shares by the international mining group Rio Tinto-Zinc. The bid valued Tunnel at about £110m.

Ward's revised offer was accepted by holders of only 2.7 per cent of the Tunnel voting capital in addition to the 41.87 per cent it held previously. RTZ revealed that it had acquired 8 per cent of the voting shares last week and is thought to have made more small purchases yesterday.

Tunnel said it was "delighted" with the failure of Ward's approach, but would not be considering the implications of RTZ's intervention until its full board meeting on Thursday next week.

Neither Ward nor Tunnel has been given any indication of RTZ's next move—the mining group said yesterday only that it saw Tunnel as "a good investment"—and Mr Derek Birkin, the chairman of Tunnel, observed that "it will be interesting to see what happens next."

"We have already said that we welcome RTZ," he added, "not just in a defensive context for they are shareholders of an entirely different type, in philosophy, style and size."

His opposite number at Ward, Mr Peter Frost, said: "We *have not decided what we will* do with the Tunnel stake. There are a number of options and we will take our time considering them." The City Code precludes another bid by Ward within the next 12 months unless Tunnel receives an offer from another source.

Israel raid

Continued from Page 1

Alan Mackie in Cairo writes: Egypt reacted strongly to the Israeli raid, calling it "grave, irresponsible and unjustified." and a serious extension of the Middle East crisis.

For President Sadat, only four days after the much-publicised summit with Mr Begin at Sharm-el-Sheikh, in which he publicly appealed for *Israeli restraint in Lebanon*, the raid is a particularly humiliating snub, emphasising his impotence to influence events while half Sinai remains in Israeli hands.

David White in Paris writes: The French Government would make no immediate comment on the news. But a spokesman said that as far as he knew there were no casualties among the 150 French technicians working on the site.

The technicians had resumed work after being evacuated in the aftermath of a raid by unidentified aircraft on September 30 last year, shortly after the outbreak of hostilities between Iraq and Iran.

The French authorities have repeatedly denied Israeli charges that the deal would enable Iraq to produce a *nuclear weapon.*

Banks bid

Continued from Page 1

larly sharp focus because of the power of that bank in the crown colony of Hong Kong; because of debts about the quality of regulation there; and because of its wide possession of industrial as well as banking interests.

Our Banking Correspondent writes: The Bank last made a statement on its attitude to foreign takeovers of British *banks in November 1972, when* it modified its rules before the UK entry into the EEC.

Though the statement was largely directed at foreign takeovers of accepting houses, the statement also covered foreign *takeovers of banks generally.*

The two key paragraphs were as follows: "The liberal practice in relation to the establishment by third-country banks of branches or subsidiaries in London will continue, and the Bank's attitude to participations by third-country banks will remain unchanged.

"It is understood that banks will consult the Bank on all pro*posals for participations exceed*ing 15 per cent as early as possible and before any formal negotiation is undertaken; and that they will accept the Bank's ruling in each case and take no irrevocable steps in the mean*time.*"

Sandwell closed shop to continue

BY PAULINE CLARK AND ELINOR GOODMAN

THE LABOUR-controlled Sandwell council in the West Midlands is to continue its closed-shop agreement despite moves by white-collar staff to end it.

It was this agreement earlier in the year that led to national publicity over the dismissal of Miss Joanna Harris, a poultry inspector, for refusing to join the union.

The council's attitude will intensify the strong pressures being put on the Government to take tougher action against the closed shop. Last night a delegation of Conservative MPs—claiming to represent 162 backbenchers—went to see Mr James Prior, Employment Secretary, to argue for further legislation.

Two months ago the Sandwell branch of the National and Local Government Officers' *Association voted by a sub*stantial majority at a special meeting to withdraw from the closed-shop agreement.

News of the council's decision to carry on with it was given to branch officers who support the agreement but were obliged *to hold the special meeting* after it was requested by members. Another meeting will be held to tell the 3,500 union members of the council's decision.

The council said yesterday it had decided the agreement must stand — whether or not Nalgo wants to enforce its provisions — since the union was only one of four others party to it.

It made clear that although there is a provision that six months' notice could be given for withdrawal, the agreement could only end if all the unions concurred.

Mr Sid Platt, West Midlands regional organiser for Nalgo said: "*Employers will not allow* us to withdraw from the agreement. They have told us they will only accept unanimity from the unions."

The other unions, representing a minority of staff, were expected to remain in favour of *the agreement.*

Mr Max Bowen, secretary of the Birmingham branch of Nalgo, said his branch would submit an emergency motion to the Nalgo annual conference in Blackpool this week calling on the executive to counter adverse Press publicity about closed shops.

Mr. Bowen said: "The basic principle is that trade unions are giving a service to members and we are saying to non-members you must pay for the service. The first time that a non-union employee says he will not accept a pay rise negotiated by a union I will have more respect for his case."

Mr Prior has conceded that there may be a case for increasing compensation to employees who lose their jobs because of closed shop agreements, but the Tory MPs insist that this is not enough.

In addition to "punitive" damages, they want an end to all "union only" clauses in contracts. They also want the requirement in the 1980 Employment Protection Act for employers to ballot their employees before setting up a *closed shop, extended to all* closed shops agreed before 1930.

These changes have been urged upon Mr Prior by a number of other bodies that gave evidence during consultations on the Government's Green Paper on trade union reform. Mr Prior, however, will not decide until the consultative period is over at the end of this month.

If pressed, Mr. Prior might consider trying to tackle "union only" clauses in contracts, but this could be difficult to translate into effective legislation.

THE LEX COLUMN

Canny packaging at Metal Box

Index rose 1.6 to 547.9

Plenty of brokers are advising their clients not to offer their Eagle Star shares at Allianz's tender today, and a lot of long-term investors do not in any case seem interested in selling out. Still, Allianz should manage to cobble together another 15 per cent of Eagle Star, probably at a striking price very close to the 290p maximum. After the tender, the increased dividend (giving an 8 per cent yield at 268p) should prevent a steep fall in the Eagle Star share price, while if the tender fails there may always be open market purchases by Allianz.

Metal Box

Metal Box has developed a flair for surprising the market which was very much in evidence yesterday. A £9.4m charge for redundancies and reorganisation, which appeared above the line in the interim figures and lent a good deal of weight to the heavy dividend cut, has found a new home as part of a £21m extraordinary debit at the full year.

This mysterious change in presentation — perhaps Metal Box was simply unable to hold out against the prevailing taste for below the line write-offs—leaves profits looking passable, at £29.1m against £62.8m, and the shares gained 6p to 196p. *Taking all the cost above the* line reduces profits to just £7.1m.

With £22m coming from South Africa, the UK operations have clearly been in dire trouble and the return on capital even at the new two-piece can plants is negligible. But last year's painful surgery is now showing costs benefits estimated at over £40m on an annual basis. By no means all *of this will filter through to the* profit and loss account but, even assuming no improvement in can volume, the return on capital will look a lot brighter this year.

The engineering side is looking better and the central heating operation should move back into surplus. So, with some help from the weather and a cheaper pound, profits could easily total £40m, which would leave the share trading on only 7.5 times fully taxed earnings. But, with American competition hotting up and even more capacity coming on stream in an oversupplied market, Metal Box's problems are from from over.

ICL

ICL's first half loss, at £33.9m, is in line with the forecasts of the previous management. Together with the extraordinary costs associated with closing Winsford, this has produced an attributable shortfall of £50.6m. In the current half, however, it now looks as if the February forecast of break-even is too optimistic, and with an extra £40m or so to come off below the line, shareholders funds will be down at the year end *by about £100m.* So from a figure of £141.4m last September, net worth will come back to roughly the £45.4m represented by share capital and premium.

The borrowing powers, raised *in February to three times net* worth, are already proving embarrassingly inadequate. Over the next couple of years meanwhile, the company's cash needs will probably prove little short of the £200m represented by the Government loan guarantee. If the strain were to be taken by debt alone, this implies net borrowing of about £350m—or seven times net worth even given a modest return to profit*ability next year. So it looks* as if the Government will be unable to terminate the loan guarantee outright after two years but will presumably have to accept some tapering arrangement.

At the same time ICL must be aiming at obtaining some kind of capital injection, possibly early next year, no doubt of a very fancy and probably convertible nature. This would be a first step to getting the gearing back to reality, but the present shareholders will find themselves heavily diluted. The shares rose 1p yesterday to 38p, capitalising the company at £50.7m.

A. B. Foods

The £13.4m profits increase from Premier in South Africa announced last month was an agreeable foretaste to the figures of its parent, Associated British Foods. The rest of A. B. Foods' business has put in a very solid performance, and group pre-tax profits are up from £98.7m to £114.9m, and there is no nonsense about closure costs, which as always go above the line—the company simply remarks that it has charged £2m more than usual.

The milling and baking complex in the UK did well on the back of an abundant supply of cheap home-grown wheat, and this year has kicked off with helpful price rises in both flour and bread. Some of the smaller manufacturing interests have been under pressure—frozen foods, for example—but retailing has done very well, with *Fine Fare picking up grocery* market share helped by new superstore openings.

A. B. Foods is confidently predicting further rapid growth in South Africa, where its fortunes are linked to the steadily rising spending power of the black population rather than marginal changes in the rate of economic growth, and the return on the Australian business should improve. At 142p, *up 3p yesterday, the shares* stand on around ten times prospective fully taxed earnings, while the yield of just below 4 per cent is twice covered on a current cost basis. The recent re-rating looks secure.

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